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# USSR Report

CONSUMER GOODS AND DOMESTIC TRADE



FOREIGN BROADCAST INFORMATION SERVICE

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4 SEPTEMBER 1986

# USSR REPORT

## CONSUMER GOODS AND DOMESTIC TRADE

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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### SEMIANNUAL STATE, COOPERATIVE TRADE TURNOVER STATISTICS

Moscow SOVETSKAYA TORGOVLYA in Russian 17 Jun 86 p 1

[Report by Yu. Gryzanov, SOVETSKAYA TORGOVLYA economic observer, under the rubric "The Central Statistical Administration of the USSR Reports": "Increase the Pace"]

[Text] State and cooperative trade turnover amounted to 161.6 billion rubles during the first half of 1986, including a turnover of 44.1 billion rubles for the consumer cooperative system.

The retail trade turnover plan was fulfilled during the first half of 1986.

Retail trade turnover increased by 6.8 percent (in comparable prices) during the first half of 1986, compared with the first half of 1985.

The following data show the increase in overall trade turnover during the first half of 1986, compared with the first half of 1985, for the Union republics:

|                 |       |
|-----------------|-------|
| RSFSR           | 107.0 |
| Ukranian SSR    | 106.0 |
| Belorussian SSR | 107.8 |
| Uzbek SSR       | 107.9 |
| Kazakh SSR      | 106.5 |
| Georgian SSR    | 108.2 |
| Azerbaijan SSR  | 106.4 |
| Lithuanian SSR  | 108.2 |
| Moldavian SSR   | 107.1 |
| Latvian SSR     | 105.7 |
| Kirghiz SSR     | 109.6 |
| Tajik SSR       | 108.7 |
| Armenian SSR    | 109.9 |
| Turkmen SSR     | 112.2 |
| Estonian SSR    | 106.5 |

Half of the year is behind us. The total retail trade turnover for state and cooperative trade for the nation as a whole, not including sales of alcoholic beverages, amounted to 142.5 billion rubles during that period. This was 10.4 billion rubles, or 7.8 percent, above the figure for the first half of last



year. The plan for the first 6 months was fulfilled by 100.7 percent, an increase of almost a billion rubles. It was fulfilled by both state and cooperative trade as a whole, and by the trade organizations of most of the Union republics.

The sale of food stuffs (excluding alcohol) increased by 6.7 percent over the figure for the first half of 1985. This included a 3 percent increase for meat products, 7 for fish products, and 5 percent for dairy products. Fruit juice sales increased 1.5-fold, and sales of other nonalcoholic beverages increased considerably. The population acquired 7.2 percent more goods from light industry and 8.1 percent more cultural and personal items and household goods than they received last year.

The total trade turnover volume specified in the plan was not fulfilled, however. This resulted from the fact that a large number of Union republic trade organizations are not demonstrating proper persistence in the search for additional possibilities for increasing production to compensate for [lower] sales of other goods and the reduction in the sale of alcoholic beverages.

Where industry is worked with in a purposeful and more persistent manner, however, the retail trade turnover plan is fulfilled for overall volume. It was successfully fulfilled during the first half of the year by the trade organizations of Estonia (101.7%), Lithuania (100.9%) and Latvia (100.3%).

The fact that the trade turnover plan for the nation as a whole was not fulfilled in June is causing great concern. This indicates a slackening in the work. Local trade management agencies must take all necessary steps to rectify the situation. The Union republic ministries of trade and their wholesale organizations must demand that industry precisely and totally adhere to deliveries of goods specified in the plan and in contracts, and see to it that they are promptly delivered to the retail trade enterprises.

The fact that deviations from the assortment of goods agreed upon for delivery, along with losses in the commodity circulation process, are resulting in disruptions in the provision of the population with needed goods and in the need to spend extra time purchasing them. In the RSFSR, for example, enterprises of the republic's Ministry of Light Industry shorted the trade organizations by 130,000 coats, 270,000 pairs of trousers, 370,000 suits and trousers made of synthetic fiber, 30,000 dresses and 200,000 athletic jackets during the period from January to June. Trade organizations of the Ukraine, Georgia and Azerbaijan failed to provide many items in the assortment. Industry deviates from the assortment with respect to sizes as a result of inadequate demandingness on the part of the wholesale organizations. As a rule, the shortages are in the large sizes. This evokes justified complaints on the part of the population and retards sales.

Equally great demands must be made of industry with respect to the quality of the goods delivered to the trade system. Inspections conducted during the first half of the year by the state trade inspectorates have shown that we need to further enhance the monitoring of quality for goods going to the wholesale bases and the stores. We are obligated to do this by a recent decree of the

CPSU Central Committee and the USSR Council of Ministers: "On Measures to Thoroughly Improve Product Quality."

The development of the material and technical base greatly affects the rates of growth of trade turnover and the quality of the service. State capital investments in the "Trade" branches amounted to 219 million rubles during the first half of the year. Only 85 percent of the half-year maximum allocated for these purposes was actually used, however. An even smaller amount of the 5 percent deducted from capital investments for housing construction was used for developing retail trade enterprises: 33 percent of the planned amount for the year. The lag was particularly great for local trade agencies of Turkmenia, which applied only 14 percent of the allocated funds; Georgia, 28; Azerbaijan, 29; and Kazakhstan, 30 percent. The construction of base facilities for trade is also being conducted unsatisfactorily at a number of places: a wholesale warehouse for household goods at Tyumen, a fruit and vegetable base at Kemerovo, a wholesale warehouse for cultural goods at Frunze, a food warehouse at Tselinograd, the Moltdorgoborudovaniye experimental plant at Kishinev. The ministries of trade of those Union republics and the trade administrations of the oblast ispolkoms must increase their attention to this important area of the work and eliminate the lag which has developed in the construction of facilities for retail and wholesale trade and for public catering as rapidly as possible.

The catering industry also underwent further development during the first half of the year. The number of enterprises using industrial methods for preparing the food grew, the number of food preparation plants and enterprises producing semi-prepared products increased, and more dining halls are using products which have been processed to a high degree of readiness for preparing the food. Trade turnover for public catering enterprises in state and cooperative trade increased overall by 7.8 percent in the nation over the figure for the first half of 1985, and the amount of food prepared and sold at the site increased by 4.7 percent during that period. These indices grew particularly rapidly for the food preparers in public catering organizations of Belorussia, Lithuania, Latvia, Moldavia and Estonia. The 6-month trade turnover plans for public catering and the preparation of products at the sites were fulfilled by 101.6 percent in the nation as a whole. The targets set for the 6-month period were not achieved universally, however. Public catering organizations in Georgia and Azerbaijan did not fulfill their trade turnover plans.

Labor collectives in the branch have begun working on the assignments for the second and crucial 6 months. Right now it is important to improve the caliber of the service, as stated in the Appeal of the CPSU Central Committee to the workers of the Soviet Union and to all workers in the branch to achieve fuller satisfaction of the people's demands for various goods and services, and to improve the quality of the service.

The intensive plans can only be fulfilled if there is a high level of rivalry and a collective search for reserves and possibilities.

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## HOUSING AND PERSONAL SERVICES

### RUTGAYZER DISCUSSES IMPORTANCE OF PAID SERVICES ON ECONOMY

Moscow IZVESTIYA AKADEMII NAUK SSSR: SERIYA EKONOMICHESKAYA in Russian No 3, May-Jun 86 pp 77-83

[Article by V. M. Rutgayzer: "The Program for the Development of Paid Services." Numbers in parentheses refer to bibliography]

#### [Text] GENERAL APPROACHES

The comprehensive program for the development of the production of consumer goods and the services sphere for 1986-2000 is directly aimed at further improving the well-being of the people. It also predetermined the most important requirements for the measures which it encompasses for the development of paid services. Development of a program of measures in this field envisions the organization of a regular and comprehensive study of the effective demand of the population. The implementation of effective measures for increasing the economic interest and responsibility of ministries and departments, local organs of government, enterprises and organizations in the development of a system of paid services is also of great importance. This signifies a need, as is noted in the Program, for "comprehensive development of the interrelated problems of management, planning, the economic mechanism, accounting, accountability, material incentives, profitability, prices and rates for services and subsidies used from the state budget and other sources". (1) The social aspects of the development of a system of paid services must also be considered, in particular those associated with the special features of satisfying demand for services by various groups of consumers (women, families with children, retired people), as well as by consumers with comparatively low incomes. A special problem of improving the effectiveness of the economic mechanism in the sphere of paid services is stimulating the organization of new types of services for the population. Without this, of course, it is difficult to count on accelerating the development of the whole system of paid services.

#### INITIAL LEVEL

The development of a system of paid services is characterized most of all by the rather rapid expansion of everyday services, which in the last 15-20 years



have become an independent economic branch. A definite expansion of housing and municipal services, transport, tourist services and other types of paid services for the population is also taking place.

The paid services branches take part in solving a number of urgent social tasks: reducing domestic labor; achieving the necessary correlation between the monetary incomes and expenditures of the population; and overcoming territorial differences in conditions of economic and social development.

At the same time it is obvious that the system of paid services is clearly lagging behind other consumer systems. The aggregate of conditions and tasks of economic and social development objectively requires more intensive development of the sphere of paid services than was the case previously. The level of development of this sphere, as research has shown, is inadequate to completely support the effective demand of the population for these services, and the unfavorable tendency toward a gradual reduction in the share of paid services in putting into effect the monetary incomes of the population has become ever more marked. Thus, in 1970, paid services accounted for 9.5 percent of the monetary expenditures of the population, and in 1983, when the decision was made to develop the program for goods and services (the figure was 8.7 percent, excluding household services, mainly repair, which are included in the category "purchase of goods").

In the majority of European socialist countries a much different situation occurred in the area of the development of paid services. There, experience shows, as the level of national well-being increases, consumer expenditures for paid services are increasing more rapidly than the monetary expenditures of the population. This is resulting in a rather intensive increase in the share of paid services in the monetary expenditures of the population. We note that the actual level of expenditures for paid services in the USSR, as a rule, turns out to be lower than projected in plans. All this inevitably transformed the structure of the monetary expenditures of the population, giving rise to increasing pressure of consumer goods on the market.

Significant territorial differences in the development of the system of paid services are also noteworthy, and these differences have noticeably increased.

The level of satisfaction of the needs of the population for paid services is substantially lower than it is for consumer goods. Thus, in the early 1980's the level of satisfaction of the needs of the population for paid services (in relation to the norms of a rational consumer budget) was 27 percent. For food products it was assessed at a level of 58 percent; and for fabrics, clothing and shoes at a level of 49 percent.

An especially substantial lag took place in developing the system of paid services in rural areas. As a result of this, disposal of the increasing monetary incomes of rural residents was oriented mainly on the purchase of goods. The relatively higher level of savings in rural families compared to urban families is also in part associated with this.

The insufficiently high level of development of the socially organized sphere of paid services has also given rise to negative phenomena associated with the

process, which is recently accelerating, of services uncontrolled by society by so-called private individuals. According to our evaluations, the average volume of disposal of paid services by them reaches a level of 12-14 billion rubles, which constitutes approximately one-third of all expenditures of the population for paid services in the system of state, cooperative and social organizations.

One of the main reasons which forces consumers to resort to the services of private individuals is the low quality of service in state domestic services enterprises. In particular, estimates indicate that consumers spend approximately half to three quarters as much time obtaining services from private individuals as they do in the system of public services (calculated on objects of equal value). The quality of fulfillment of orders, time required to fulfill them and disrespectful attitude toward the clients give rise to much unfavorable criticism.

Continuing the present tendencies in the development of the system of paid services could secure their expansion between 1986 and the year 2000 by approximately 1.6 fold at best. Such an insignificant increase could worsen the unfavorable tendencies which have taken shape in the development of the system of paid services and would not help reduce the pressure of consumer demand on the commodity market. In particular, what would take place is a further reduction in the share of paid services in the monetary expenditures of the population and a substantial increase in the share of expenditures for the purchase of goods.

#### MAIN OBJECTIVES

Overcoming the situation which has taken shape demanded a decisive acceleration in the development of the whole system of paid services. 9 [Footnote 1) (Bibliographic reference 2 (pp 7-12) lists paid services approved for development by the Comprehensive Program for the Development of the Production of Consumer Goods and the Services Sphere for 1986-2000.) The amount of their sales to the population will increase 2.1-2.3 fold during 1986-2000; 1.3 - 1.4 fold during the 12th Five-Year Plan. This will create the necessary conditions to gradually satisfy completely the effective demand of the population for paid services. But this, of course, can be achieved only with a radical improvement in the quality of service, introduction of progressive forms of service and organization of new types of services.

The program devotes particular attention to eliminating territorial differences in the development of the system of paid services. In connection with this, it envisions "overcoming differences in the level of supply of services for the population in large and small cities and in various regions of the country, and priority development of the services sphere in rural areas."

An important objective of the program is providing necessary territorial accessibility (on foot and by vehicle transport) of services for consumers at their places of residence, work and study. This requires improving the system of distributing the network of enterprises and organizations which provide services for the population. It is also necessary to provide, if it can be so



stated, time accessibility of paid services. The working hours of the enterprises and organizations which provide them must be more convenient for the population than is the case today.

Accessibility of services must also be provided from a somewhat different aspect, namely from that of providing equal opportunities for obtaining basic types of paid services for all groups of the population. This refers most of all to consumers at various income levels. Basic services must be accessible for population categories which particularly need the care and assistance of society (invalids of war and labor, older people, families with many children, etc.).

From this it is understandable how important and multifaceted is the problem of studying the needs of various groups of consumers for paid services. Their demand is characterized by ever increasing selectivity. Enterprises and organizations performing paid services until recently have not oriented themselves well with respect to what types of services consumers are demanding. The lack of an understanding of market demand conditions for various types of paid services undoubtedly may lead to incorrect decisions and, consequently, to inefficient expenditure of resources in the services sphere. The program provides for "improving methods for studying demand and establishing the needs of the population for basic types of paid services." This is an essentially new task, which planning and managerial activity in the services sphere have not yet confronted.

The accelerated development of the system of paid services for the population must provide in the immediate future major positive advances in the entire consumer sector of the economy. First, a greater increase in expenditures by the population is envisioned for paid services by comparison with commodity purchases. Expenditures for payments for services (excluding those counted in commodity turnover) calculated per 100 rubles of expenditures for commodity purchases must increase at least 1.25 - 1.3 fold. Second, overcoming the above-mentioned tendency for the share of expenditures for services in the monetary expenditures of the population to decline, and gradually increasing this share, must thereby be provided. Third, a much more substantial absolute expansion of the level of paid services for the population is envisioned than that of the previous period. Fourth, structural changes are provided to the benefit of paid services in the overall volume of services (both paid and unpaid). During the previous period a gradual decline in the share of paid services in favor of unpaid forms of service took place.

#### RESOURCE SUPPORT

The significant acceleration of the development of paid services must have a substantial influence on the whole system of public reproduction and on the basic proportions of the economy. This is explained not only by the great increase in the volume of paid services, but also by the fact that rendering them to the population necessitates an absolutely greater expenditure of labor resources and fixed capital, compared to providing an equivalent level of consumer commodity expenditures. An expansion in the volume of paid services which is equal to the increase in sales of consumer goods to the population requires, according to conditions of the early 1980's, and according to inter-

branch balance calculations, 1.4 times greater labor resources and 1.7 times higher fixed capital expenditures. Thus, advances in monetary expenditures of the population to the benefit of paid services can cause greater demands upon labor resources and the investment capabilities of the population than is the case within the framework of an equivalent expansion in the production of consumer goods. This is the reason for the increased importance of substantiating resource conserving trends in the development of the system of paid services to the population in the coming period.

In connection with this it is especially important to distinguish priority directions for development of the system of paid services, based on the requirements for economical expenditure of labor resources and capital investments. It goes without saying that these priority directions must take into account the conditions of an objectively established demand on the part of the population for the corresponding types of paid services. Priority attention in planning and management activity must be paid namely to those avenues of development of paid services within individual service branches which are relatively less costly from the standpoint of the use of public resources.

Paid services, as a result of their relatively high labor intensiveness and, consequently, also wage intensiveness (compared to the production of consumer goods) can serve as a relatively lesser source for balancing the monetary incomes and expenditures of the population (calculated on equivalent consumer expenditures of the population). This is explained by the fact that wages paid to workers in the system itself from the earnings from sale of paid services to the population are relatively higher than for commodities. Thereby, more intense formation of new monetary income for workers engaged in the system of paid services to the population occurs than for workers in commodities. Also, the system of paid services provides for a comparatively smaller level of payments from profits into the budget than does the manufacture of consumer goods. An actual reduction in the purchasing power of the population takes place, as a result of the disposal of its income for various paid services, by precisely their magnitude, taking into account internal savings realized by paid services enterprises and organizations.

This is why it is necessary to implement an approach to providing resources for the development of a system of paid services which would create conditions, within the framework of objectively established popular demand and for the development of those types of services, which make it possible to count on attracting to the budget relatively greater profit withholding taxes. In connection with this, special attention must be paid to the problem of reducing subsidies for individual types of paid services. This is related to the fact that expanding those paid services which are subsidized from the budget and other sources leads not to a reduction in the purchasing power of the population, but, to the contrary, causes an additional increase. Needless to say, the main direction for reducing subsidies is through increasing the effectiveness of the economic resources which are used in the sphere of paid services.

Calculations made in NIEI [Scientific Research Institute of Economics] of USSR Gosplan, with the aid of a dynamic inter-branch balanced model, indicate that

providing the increase in the level of paid services to the population envisioned by the program will require a further increase in the share of the nonproduction sphere in the labor resources of society. It should be kept in mind that the requirements in the sphere of paid services for support by labor resources are more strict than those of the complex of branches which manufacture consumer goods items. This is associated to a decisive extent with the fact that labor is itself the substance of services and the opportunities for replacing it with fixed capital are extremely limited. Therefore, expansion of paid services requires overall a proportionate increase in the labor resources so employed (taking into account the relatively lower increase in labor productivity than is the case in the production of consumer goods).

As for capital investments, here observance of this proportionality is not at all mandatory. Here the task of reducing the capital-output ratio and capital intensiveness of paid services is especially important. It is possible to accomplish this first of all by more complete use of the production capacities and fixed capital of enterprises and organizations which are directly involved in rendering paid services. A major reserve for attracting additional investment sources for the development of paid services is involving enterprises and organizations of all ministries and departments in rendering services, regardless of their specialization and the nature of their main activity. This is an objective of the Program.

The rapid development of paid services inevitably must also affect inter-branch proportions. In particular, the accelerated growth of services will be one of the conditions for increasing demand for the development of the following branches of material production: the coal industry, ferrous metallurgy, machine building and metal working, the forestry industry and the construction materials industry. These requirements are associated not only with direct expenditures for services; i.e., depend on the level of their material intensiveness, but also with providing capital construction in separate sectors of paid services to the population. In connection with this, the management of the system of paid services must create conditions for their development which ensure the necessary material interest in savings, both of ongoing expenditures, and of capital investments. Only with this approach is it possible to reduce the already high demands by a number of paid services branches for products of the above-indicated production branches, which are distinguished by relatively higher capital-output ratio.

#### NEW TYPES OF PAID SERVICES

When introducing new services, at least in the initial stages of implementing the Program, priority attention should be paid to expanding those types of paid services which, as a rule, are not associated with major resource expenditures and require mainly organizational economic measures. (Footnote 2) (In developing the Program for Goods and Services, USSR Gosplan distributed to all organizations participating in this work a listing of new types of paid services to the population and services not in widespread use. This listing is reproduced in full in reference 3. The authors made recommendations regarding the time period for development of new types of paid services, according to the stages of implementation of the Program.) These include:



a) reference, consultation and information services (in particular, paid announcements by individual citizens in newspapers and through other mass information media); b) educational services (tutoring, Sunday family courses, courses on care of children, oratorical art schools); c) services of institutions of culture and art (film and phonograph record libraries for general use, paid courses of individual interest); d) services of the system of health, physical culture and art (services of sports halls, massage parlors, sports equipment rental); e) certain new types of everyday services to the population (most of all various intermediary services); f) credit services to the population (expanding paid services within the system of savings banks and state insurance).

In the future, as resource capacities expand, associated to a large extent with the effective functioning of the system of paid services itself, it seems to us that additional conditions must appear for the development of fundamentally new, but relatively capital intensive types of paid services: personal cable television (using both electric cable and wave beam guides); electronic links for orders by the population (telex picture transmission of information); individual use telecommunications systems (connecting subscribers to automated data banks, library catalogs and information services of organizations serving the population; for example, trade, communal services, transport); establishment and servicing communications means in personal transport (radio telephones); equipping (on a paid basis) residences with central air conditioning.

#### RELATIONSHIP BETWEEN PAID AND FREE SERVICES

The system of paid services to the population is closely, and in a number of cases organically, interrelated with free services. In some service branches (the systems of rest, physical culture, education and health) conditions of paid services cannot be separated at all from the factors of development of each of these branches as a whole; i.e., also taking into account free services. Assessment of the social conditions under which various types of free services function, which stipulate limits on, and in a number of cases the unacceptability of their replacement by paid forms of services, becomes especially important.

The fundamental position on this question has been clearly expressed in the Program, which indicates the need to develop paid forms of services "ALONG WITH free services" [1] (emphasis ours -- R. V.). First of all, this concerns developing a limited number of paid medical services. The accelerated development of some types of these services will have absolutely no affect on the fundamental principles of organization of the primarily free Soviet medical system. (Footnote 3) (In connection with this, the fears of Ye. Soroko seem greatly exaggerated to us. He believes that the results of the activity of institutions providing the population paid medical services "will cause a reduction in the quality of free services... even the short time these institutions have functioned is harming the interests of the health protection of low paid strata of the population... development of paid medical services," the author adds, "does not fully correspond to socialist principles of free and universally accessible Soviet medicine..." [2, p. 32]. This, of course, is an exaggeration.)

The program does not permit any opposition between paid and free forms of medical service. It stems from the supplemental nature, with respect to the primarily free health system, of services of cost accounting general health institutions. "While developing in every way free medical services," it states in the Program, "the services of cost accounting medical institutions are to be expanded, taking into account the DEMANDS OF THE POPULATION" (emphasis mine -- R. V.). The development of these institutions, thus, corresponds to the interest of the population in increasing the activity of such institutions.

At the same time, within the framework of some types of services to the population, a certain reorientation is possible in the totality of activity to the advantage of paid forms. This, in our view, most of all concerns the system of rest, physical culture and sport, and partially culture. Here it is entirely possible to change the correlation to the advantage of forms paid by consumers. The scale of such changes, it goes without saying, must be determined by the amount and structure of the effective demand of the population. This also requires a certain improvement in the organization of the activity of these service branches. The incentive system and planning methods here must be oriented more persistently toward attracting the monetary funds of the population.

In our opinion, the general conditions for interrelated development of paid and free forms of services to the population (with the exception, we emphasize, of socially significant services of education and health) must be determined by opportunities for choice on the part of consumers in satisfying needs which arise. In connection with this, the problem of improving the system of rates for services is gaining special attention. Taking into account the higher labor intensiveness of services, the retention of subsidies on rates for some types of services must be motivated by exceptional social conditions, since the expansion of the group of subsidized services, as was already noted, stimulates an expansion of effective demand and increases pressure on the consumer goods market. All of this in the future will require an economically and socially based solution to the problem of existing subsidies in some types of paid services. Here it is particularly important to work out a socially justified position with respect to those types of paid services where such subsidies must be retained, or possibly even increased.

Rates for paid services affect the interests of broad strata of consumers. In managing a system of such rates it is necessary to take into account correctly the interests of low income population categories. In particular, services which are in mass demand must be under special control. At the same time, it seems necessary to us to have a greater differentiation of rates than now exists for paid services, depending on their quality. We believe that, as a general rule, rates for paid services must provide a level of profitability no lower than the normative level, for normally functioning enterprises (organizations) which provide paid services. The rates for services must take into account the correlation of supply and demand which is taking shape and the requirements for economizing material resources and strengthening the incentive role of standards and prices in improving quality and raising the standards of services to the population.



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## CONSUMER SECTOR POLICY AND ECONOMICS

### RSFSR MINISTER ON REQUIREMENTS TO IMPROVE TRADE STANDARDS

Moscow SOVETSKAYA TORGOVLYA in Russian No 4, April 86 pp 2-6

[Article by RSFSR Trade Minister V. Shimanskiy, delegate to 27th CPSU Congress: "Root Out the Shortcomings and Be More Demanding"]

[Text] Not long ago the 27th Congress of the Communist Party of the Soviet Union completed its work. The Congress defined strategy and tactics for socialist construction in our country for the 12th Five Year Plan and for the period up to the year 2000. The course has been set for accelerating the country's socio-economic development and for achieving on this basis a qualitatively new state of Soviet society. An enormous amount of work lies ahead. It will demand from each Soviet person, including every trade worker, a great deal of responsibility--rejecting everything that has outlived its time: inertness in thinking, cliches, and complacency. Let's call a spade a spade: successes are successes, shortcomings are shortcomings, and mistakes are mistakes. We must look more closely to our reserves, our capabilities, and our tasks.

The approved planning and budgeting indicators for 1986, in terms of their primary direction, correspond to the strategic course of the Communist Party. Moving on to new frontiers will be enormously important for switching the Soviet economy onto the path of intensification and increasing its effectiveness, and for further growth of the national wellbeing.

The most important feature of the planned assignments of the current year is that the growth rates on which they are based exceed the average annual rates of the past five-year plan. This pertains to the retail goods turnover as well. For 1986, it has been established for the RSFSR in the amount of 189 billion rubles, which is an increase of 5.9 percent and a 6.0 percent increase for state trade. This is the greatest increase ever. From this it is obvious how complex and responsible is the task of fulfilling the established plan--all the more inasmuch as not enough goods are being turned out to satisfy it. The supply of basic goods on the market, which amount to about 80 percent of overall resources, is thus far increasing by a mere 0.4 percent. Other planned tasks are also extremely intensive.

As is well known, the Russian Federation has failed to cope with the retail goods turnover plan for four years in a row. In 1985 the basic plan, not counting the additional tasks, was underfulfilled by 2.6 billion rubles.

The growth rate amounted to 2.3 percent, as opposed to the planned 5.6 percent. That is why it is so important to thoroughly and critically analyze the results of our past efforts; to bring out the shortcomings and mistakes in the activity of the central organs of the ministry, of republic wholesale associations, and local trade administration authorities; and to disclose the available reserves and untapped opportunities for more successful work in the new year, in order to better satisfy the demand for goods and services and to raise the standards of trade.

Until now the shortcomings in working with industry have been eliminated at an unacceptably slow rate. Every year production programs are "worked out" and "stuck to", the range of goods is agreed upon, and contracts for delivery are concluded, and so on--far too slowly. A great deal of trade is lost for this reason. Last year, for example, contracts for delivery of clothing worth about 200 million rubles were not concluded.

Because of the large shortages in deliveries of goods under contracted agreements, last year the stores failed to receive 1.2 billion rubles worth of goods. It became a common phenomenon for suppliers to make arbitrary changes to the agreed assortments; to produce goods which were not ordered and for which there was no demand; and so on.

Quite often the output of goods which the populace needs is unjustifiably curtailed and they become shortage goods. Nor can one help being alarmed by the fact that many articles have been produced for decades without the slightest changes, improvements, or modifications. Demand for them falls, and the people do not want to spend their hard-earned rubles for them. And at the same time the selection of fashionable articles on the market is small; production far from satisfies demand for them. For example, in Kuybyshev and Rostov Oblasts, fashionable articles amount to less than 4.0 percent of manufactured clothing.

Sales of many goods, and consequently satisfaction of the needs of the populace as well, are frequently held back by shortages of the articles necessary for their operation. Cameras, for example, do not sell because of the lack of a wide assortment of film, photographic paper, and certain kinds of chemicals; radios, electric lanterns, mechanical toys, and clocks--because of insufficient production of batteries. Many types of goods are poorly supported by spare parts. Examples similar to the ones recounted above are, unfortunately, very numerous, and they all testify to the unrealized possibilities for taking in a great deal of money at the store cash registers.

Undoubtedly such a situation comes about due to planning shortcomings and a lack of responsibility on the part of the manufacturers. But there are also major flaws here in the work of the central authorities, and in that of republic wholesale associations and local trade authorities.

The solution to any of the problems--be it formulating and disseminating production plans, under-supply of goods, "distortions" in their manufacture, changing and renewing the assortment, or reducing and halting production of things the populace does not need--depends not only on the work of industry,

but also on the manner in which trade sets up relations with it; and on its firmness, exactingness, and efficiency. And it is precisely these things that are very often lacking.

Trade workers quite often complain that suppliers grossly flout their contracted obligations. But how does one make use of the entire arsenal of means of influence on violators of contract discipline? Is the necessary adherence to principle always applied, and are sanctions always exacted in accordance with the applicable laws? Today one cannot respond positively to these and many other such questions.

The unsatisfactory situation which has come to pass in recent times with respect to fulfilling the goods turnover plan is to a large extent connected with the fact that many trade organizations are still entangled in the old, obsolete methods of operation under conditions of goods shortages. Meanwhile, only the trade organs themselves can and must increase the responsibility, firmness, and adherence to principle of the supervisors, specialists and cadres in the mass professions, in order that each in his own sector will work creatively and to the best of his ability.

The demands presented by the party and the people on trade to improve services to the populace, and the task for unconditional fulfillment of the intensive goods turnover plan, require everyone to seek new methods for working with the suppliers and develop relationships with them in order that the demand for goods will be more fully and more qualitatively met.

In order to do this it is first necessary to strive for more rapid and complete disposition of production of all goods bought up at trade fairs; exchanging and coordinating the assortment not bought up; concluding agreements for delivery in full amounts; and expanding production of the articles which are not available on the market.

Secondly, goods must be received from industry and the agroindustrial complex in full amounts, in the assortment ordered, and in strict observance of agreed periods of delivery. To achieve this it is proper to look into the state of affairs at industrial associations and at enterprises of the appropriate ministries and departments on a regular basis--to ascertain whether production is being reorganized for the manufacture of goods which meet the needs of the market; to take measures to preclude production of goods which were not ordered; to systematically and carefully monitor the fulfillment of plans and contracts for delivery by each enterprise; and to stay abreast of how things are going there. Non-fulfillment of agreed-upon plans or production of goods which will obviously not sell can no longer be tolerated.

Thirdly, maximum efforts must be applied to find ways for additional, above-plan production of goods--taking more complete and better advantage of the capabilities of all branches of the economy and local initiative in each region to achieve these ends. After all, it is completely obvious that successful fulfillment of the goods turnover plan and, consequently, meeting the needs of the populace, will largely depend upon how this work is organized and upon how local capabilities are mobilized.



Last year's experience testifies to this. In spite of the overall complex situation the results of the activities of certain oblasts and organizations were very different. In Ulyanov Oblast, for example, the goods turnover increased by 6.8 percent as compared with 1984. Its growth rates were significantly higher than for the RSFSR as a whole in Lipetsk, Belgorod, Penza, and Orenburg Oblasts; in Chuvash and Kalmyk Autonomous Republics; and in Moscow and Leningrad. And at the same time, Leningrad, Kirov, and Arkhangelsk Oblasts, and Komi ASSR barely exceeded the 1984 level. The experience of the regions and the trade organizations and enterprises which are, under identical conditions, supporting fulfillment of established assignments, must be put into practice everywhere.

Specific reserves which are not being utilized to the fullest extent include the sale to the public of building materials, garden sheds, household goods, gardening and orchard tools, and especially local building materials. In 1985 the task for sales of the latter was established in the amount of 471 million rubles; but resources received were just a little over 100 million rubles.

In 1986, 470 million rubles worth of local construction materials are to be sold in the RSFSR. Maximum efforts must be applied to ensure local Soviet authorities allocate them in the full amount, in order that industry and sales organizations can fulfill their plans for production and delivery of garden sheds, lumber and construction materials in the required assortment--and chiefly, of the proper quality; and trade in these items must be organized in such a manner that the populace would cease resorting to the services of speculators.

Better use should be made of all kinds of industrial byproducts, substandard materials, and the like, for sale to the public. The majority of oblasts are still doing a very poor job of bringing these resources into the goods turnover. "Skilled hands," "Do-it-Yourself," "Young Engineer" and other such stores and departments, where such goods could be sold, are still doing a poor job in meeting the needs of the public.

The system of second-hand stores for the sale of non-food items on commission must be more energetically developed. After all, trade on commission is an important source of putting trade resources into the turnover, not to mention serving the interests of the populace.

There are still quite a few such unutilized resources in the food category of goods as well. More rational use of resources from animal products harbor significant opportunities for better supplying the public and for receipt of additional turnover. Very few places have a sufficient supply of flour and pastry products, fruit juices and other goods--the production of which requires neither larger capital investments nor import of raw materials: increased production is possible within existing capacities.

A matter of paramount importance, especially in connection with measures for struggling with drunkenness and alcoholism, is all-round expansion of production and sales of juices, ice cream, fruits, various kinds of pastry



items and the like. Not everything is being done here as needs be. Specifically, industrial enterprises which had previously produced wine are slow in switching production to other products. Trade must actively influence these processes.

An important additional source for replenishing food resources is feeding waste food products to swine. During the 11th Five Year Plan farms produced 274,000 tons of pork for trade. At the same time half of all oblast administrations failed to fulfill established plans for pork production. Waste food products are not rationally utilized everywhere, and little attention is devoted to reproduction of piglets itself. Eliminating the existing shortcomings means tangibly increasing production of meat.

From all of the above, the conclusion follows that this year not a single ruble must be allowed to slip away--each one must be put into the goods turnover. And the efforts of the trade administrations, republic wholesale trade associations and local trade organs must be subordinated to this end.

In carrying out the decree of the CPSU Central Committee and USSR Council of Ministers, the RSFSR Council of Ministers adopted the Comprehensive Program for Developing Production of Consumer Goods and the Services Sphere for the Years 1986-2000. Its goals are to raise to a qualitatively new level the satisfaction of the needs of the republic's working people for goods and services; to achieve a norm for rational consumption of a significant range of goods; to ensure fundamental improvements in trade services to the public; and to set up convenient facilities which would significantly reduce the amount of time shoppers spend in acquiring goods. We must urgently set about the task of working out and implementing extensive measures for the practical realization of the tasks established in the program.

The country's agroindustrial complex is currently being reorganized. It is very important that all trade administrations and services, both at the center and in the localities, properly and carefully establish their own relationships with the new administrative organs; that they work closely with them; and that they jointly solve the problems of improving the supply of foodstuffs to the public.

Fulfilling the goods turnover plan and satisfying the needs of the public depends to a great extent on the quality of the goods. Today this is a very acute problem. The Party considers it one of the most earth-shaking problems in the development of our economy. The strictest demands have been set for trade: to ensure that a reliable barrier is provided to stop the flow to the stores and to the populace of damaged and low-quality goods, manufactured in violation of the standards and technical conditions. Trade has thus far been unable to accomplish this. As a result of passivity, lack of demandingness, and quite often because of indifference toward sales--hence, indifference toward the populace--a rather extensive stream of inferior quality goods continues to be offered to the public: goods made with gross violations of production technology; products which do not operate reliably; and so on. Bad workmen are very often given amnesty and are not subjected to material or other reparations. And this leads to a situation in which there are significant losses to trade resources, and consequently, to the goods turnover. At the same time the already large stocks of unsaleable

products continues to increase, and the appearance of wellbeing is created with respect to the supply of goods. The state is forced to waste enormous resources in price reductions in order to sell them off. It is high time that everyone takes an uncompromising position and stops "forgiving the sins" of those who do not take the interests of the market to heart and who produce goods for which there is no demand.

Trade is frequently justifiably criticized for shortcomings in its work with the mass of goods already at its disposal; for mistakes in planning for and distributing goods; for the lack of the necessary flexibility and maneuverability in making use of them--and there are frequent instances of the lack of a sufficient assortment of goods for sale.

Goods on stock are not put into the turnover in sufficient quantity. For 1985 stocks in the retail system increased by 4.5 percent, while the goods turnover at established prices grew by a mere 2.3 percent. The disproportion between the growth of the goods turnover and stocks in a number of oblasts is still significant. In this connection it is especially disturbing that goods for which there is limited demand are piling up.

Surplus stocks are the result of poor knowledge of market requirements among workers both in the retail and wholesale links; of submitting unjustified applications and purchase orders; and of serious gaps in organizational and commercial activities and in working with industry.

Quite often stocks of goods pile up because of imbalances in fulfilling delivery plans by the wholesale link. For example, Rosoptprodorg [RSFSR Office of Wholesale Trade in Foodstuffs] fulfilled the plan for delivery of pastry goods as a whole, but 35 oblasts were undersupplied with them. Ros-torgodezhda [RSFSR Office of Wholesale Clothing Trade] oversupplied 38 regions with articles of clothing, but 35 suffered significant shortages in these articles. And these are not isolated incidents--where surpluses spring up in some places, and in others, such goods are in short supply. As a result, trade suffers, and the trade process is disrupted.

The 1986 plan for supply of goods envisages putting 928 million rubles worth of goods into circulation from stocks; therefore, all regions of the republic must scrutinize their on-hand stocks; determine what can be sold, where and how; and actively carry out redistribution of surpluses in order that this reserve is completely utilized for increasing the goods turnover.

Also of great significance is establishing the proper order in terms of a sufficient assortment of trade goods. Complaints are still coming in from many places concerning trade gaps for bread, pasta items, salt, fats, fish, and vegetables. At the very same time trade organizations are not making complete use of the stocks allocated to them for the above-mentioned products and certain others.

The reason for this most often lies in the inertness and passivity of the workers in the retail link, who quite often suffer from an aversion to trade and do not make the effort to offer for sale the widest possible assortment of goods--who are indifferent as to whether the needs of the public are satisfied. Proper coordination between the wholesale and retail links is

obviously lacking as well. The system of travelling trade specialists is not functioning. The dispatcher services are not coping with the obligations laid on them. Lists of goods in sufficient supply are at times compiled carelessly, perfunctorily. Quite a few goods are omitted from them at times without any basis whatever. Wholesale bases often do not fill the orders of retail enterprises for delivery of goods on time; they are not divided into lots on a timely basis; and there are far too many transfer shipments, as a result of which their quality is impaired.

Many stores close down for long periods for inventory, or do not open for months and sometimes years, for major or routine repairs. For this reason alone last year over 200 million rubles were lost to the goods turnover.

Not everything has yet been done to organize the operating conditions at trade enterprises. Quite often even in the early hours of the day, as well as in the evenings numerous goods in daily demand are not put out for sale. Cleanup of the premises is begun long before closing time; many cash registers are not in operation, or the cashiers are counting up their receipts. Such incidents are quite common at trade enterprises in Moscow and in other cities. It is hard to calculate the enormous harm trade personnel cause to the goods turnover because of their indifference, their inattention to the customers, and their lack of interest in increasing receipts to the maximum.

A complex of measures has been implemented in the RSFSR to enlarge the role of public catering to satisfy the needs of the public. The tasks of the 11th Five Year Plan have been fulfilled in terms of the goods turnover and sales of goods from one's own production; the network of specialized fast-service enterprises has increased twofold (presently they number about 7,000); and the number of culinary stores and departments at places where the populace works has increased by a factor of 1.5--which has increased the sales of semi-finished products, culinary, bakery and pastry goods by 24 percent.

However, the level of development of public catering does not satisfy the needs of the populace. In many regions of the republic no measures have been taken to significantly improve the organization of food services where the populace works or studies, nor to increase the effectiveness of use of available capacities, equipment and labor resources. The system of enterprises for the general public is developing at a slow rate, and has received a mere 40 percent of the norm for supplies. The tasks for its growth have not been fulfilled.

As before, the most important task for the branch remains increasing the quality of the food and the standards of service. Inspections conducted late last year by the USSR Committee for People's Control in Lipetsk, Vologda, and Kurgan Oblasts and in Buryat ASSR disclosed numerous violations of work rules at public catering enterprises--as well as incidents of cheating the customers, low quality food, poor sanitary conditions and other serious shortcomings.

There are quite a few other problems as well, which the public catering organizations and enterprises must resolve more actively and efficiently.



It is hard to overestimate the enormous social and economic significance of the struggle with drunkenness and alcoholism. It has been stressed time and again that such a struggle is not a campaign, but a permanent operating policy for eliminating this evil--a struggle which requires our strict, fixed attention every day. Trade has already done quite a bit in this direction; however, inspections reveal that instances of hiding alcoholic beverages for sale to a small circle of people after normal business hours at an inflated price are still quite common; such practices were observed in Tomsk, Kemerovo and Kuybyshev Oblasts. Selling alcohol to persons under 21 years of age and to those who are not sober has not been stopped. Rules for sale of wines and liquor have not yet been displayed in all stores as required by the Decree of the Presidium of the USSR Supreme Soviet, etc.

Educational and preventive work is often at a low level among the collectives of enterprises which sell alcoholic beverages. Employees quite often do not know the new rules for trade in wines and spirits. All trade administrative organs must take additional measures to ensure that the demands of the party pertaining to the struggle with drunkenness and alcoholism and the corresponding orders and directives are unconditionally carried out by each trade organization.

Successful realization of the tasks facing trade depends to a large extent on the status and the development of the branch's material-technical base. In August 1985, the CPSU Central Committee and the USSR Council of Ministers adopted the decree, "On Measures for the Further Development of the Material Technical Base for Trade and Public Catering for the Years 1986-1990 and the Period up to the Year 2000." This decree envisages a significant increase in construction of state trade enterprises and in the resources allocated for that purpose.

This year state capital investments in the branch have markedly increased, and an intensive program has been established to put new enterprises into operation. Everything possible must be done to ensure rhythmic work at all construction projects right from the first--ensuring that all allocated funds are assimilated, and that not one single project is disrupted.

Supporting the workers at the most important construction projects requires special attention. Constant attention must be given to the state of trade services for the oil and gas workers in the North Tyumen region and Tomsk Oblast; for the construction workers at KATEK [Order of Lenin Kuybyshev Automotive Electrical Equipment and Carburetor Plant]; for BAM and other projects--efficiently allocating hard-to-get items, and supplying them on a timely basis item by item. Supervisors at workers' supply administrations of the industrial ministries must take urgent measures to develop the trade system, making sure it is furnished with modern trade and technological equipment. The situation in this area remains unsatisfactory to this day.

As is well-known our party has taken a steady course for switching the national economy over to the intensive method of development. This pertains to trade as well. Until recently, growth in goods turnover has been achieved mainly by means of expanding the trade system and increasing the

number of workers; that is, by means of extensive factors--which are limited for the present and for the future. Now, its growth must be provided primarily through more effective use of the existing material-technical base, by providing new equipment, and by extensive introduction of progressive trade technologies, thus reducing the amount of mental and physical labor. A lot has already been done in this direction. Introduction of new equipment and advanced technology permitted liberating about 26,000 workers from manual labor last year. The entire growth in the goods turnover during the past five-year plan was achieved, basically, as the result of the growth in labor productivity alone. But there are many reserves here, especially in the utilization of fixed capital.

We must not fail to focus attention on the development of advanced trade methods as well--the most important, integral part of scientific-technical progress in our branch. In this respect, a tendency toward slow growth in developing self-service, which has been noted in certain regions, is cause for alarm. Fulfilling the task for introducing self-service was spoiled in Leningrad, and in Arkhangelsk, Leningrad, Bryansk, and Rostov Oblasts. And they are doing a very poor job of fulfilling this task in the Chechen-Ingush ASSR, where the level of self-service amounts to only 39 percent.

For the 12th Five Year Plan, the task has been set to bring self-service up to a level of 65 percent on the average; and this year, serious steps must be taken to reach the assigned goals.

The attitude toward scientific-technical progress in trade requires serious adjustment. Today the task of each collective and every supervisor at all levels is to make extensive use of the achievements of scientific-technical progress everywhere. Only in this manner can we guide the branch into the channel of intensive development.

In this work we must, on the one hand, more effectively take advantage of scientific developments and recommendations; and on the other, critically analyze the quality of the scientific developments and projects recommended for introduction, especially, the projects for introducing automated control systems.

The problem of protecting socialist property is cause for serious alarm. Everyone is aware of hidden abuses in Rostov, Moscow, and Gorkiy Oblasts and in the Moscow trade system. During nine months in 1985, major shortages and pilferage were on the increase in comparison with the same period in 1984. Nor is the situation favorable in the Bashkir, Dagestan, Udmurt and Yakut ASSR's; in the trade administrations of Altay, Krasnodar, and Khabarovsk Krays; and in Astrakhan, Kuybyshev and certain other oblasts.

The causes for such a situation lie in unscrupulousness and in mistakes in selecting cadres for supervisory work and for materially-responsible posts; in lack of supervision of their work; in violation of labor legislation on allocation of goods, and requirements for conducting inspections and stock-taking; in the lack of proper control over delivery and distribution of goods; and so on.



It is impossible to put up with such a situation any longer. More effective measures must be taken to expose abuses and put a stop to them, as well as to prevent violations, and to create conditions under which swindlers and thieves will not be tolerated. Bookkeeping and monitoring and inspection services must be brought up to strength with skilled and principled specialists who are capable of conducting business at the level appropriate to the current tasks, who have a very demanding attitude toward them.

Nonproductive expenditures and unplanned losses are dealing a severe blow to trade. Every day in all trade units, from the ministry to the workplace of the salesman, cook, or packaging and weighing clerk, losses must be analyzed; the actual reasons for them must be established, and measures must be taken to eliminate them. Only by increasing the personal responsibility of the workers from top to bottom can one ensure that the huge resources found in the branch are protected. The strictist accounting must be made in investigations of negligence and sloppiness.

The scale and complexity of the tasks for improving trade services pose increased demands on the workers in the branch, on their business and ideological-moral qualities, and on their level of knowledge and professional training. And this points to the necessity of constantly improving the selection, assignment and education of cadres on the basis of strict observance of Leninist principles.

However, at the same time the selection and assignment of supervisory and materially-responsible cadres still does not meet the requirements for improving business activities, for ensuring the preservation of socialist property, and for increasing the quality of trade services to the public. The process of replacing practical workers with graduate specialists is proceeding slowly. In certain trade administrations they are not doing much work with cadre reserves, and they are not taking full advantage of opportunities for certification. High worker turnover is still an alarming problem. Such progressive forms of labor organization and wages as the brigade form, which involves the use of the coefficient of labor participation, and others, are not being sufficiently introduced.

Along with improving wages, maximum efforts must be applied to creating better conditions for the workers' labor, relaxation and living conditions. However, as before, these problems frequently pass beyond the field of vision of trade administrators.

Special attention should be focused on continuous work with people, to direct them toward strict and rigorous execution of their official duties; and decisively put a halt to all sorts of acts which are compromising and demeaning to any Soviet citizen.

With the first year of the 12th Five Year Plan, the Soviet people are becoming involved in carrying out the many vitally-important tasks for accelerating the country's socio-economic development which were defined at the 27th

CPSU Congress. Trade has a considerable role in this. And that is why it is so important to orient all the workers of the branch toward eliminating the existing shortcomings, and toward solving the specific practical problems set by the Communist Party for trade workers.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### MORE AUTONOMY IN TRADE ENTERPRISES NOTED IN SURVEY

Moscow SOVETSKAYA TORGOVLYA in Russian No 5, May 86 pp 6-10

[Article by T. Gritsay, sector head at Ukrainian Scientific-Research Institute of Trade and Public Dining, T. Bogatyreva, senior scientific associate, V. Poryadinskiy, senior scientific associate, and I. Bychkova, junior scientific associate, Kiev: "Expansion of Rights: Possibilities and Problems"]

[Text] From the list of tasks which the party is now assigning to trade, there should be particularly singled out the need of implementing measures relating to a radical improvement of the operation and increasing the responsibility of wholesale organizations for uninterrupted supply of the retail trade network with goods and their rational distribution among the country's regions as well as for providing concentration of commodity stocks primarily within the wholesale trade system. Such a formulation of the question is extremely pertinent since wholesale trade far from fully performs the functions assigned to it, which significantly reduces the operational efficiency of the sector as a whole.

The reasons for the unsatisfactory work of wholesale trade are many. They have been repeatedly referred to in the economic literature. We want to draw special attention to only one, in our view, of the most important reasons--the noncorrespondence of many elements of the economic mechanism to the present level of economic development.

The need of improving economic relationships on the basis of fuller utilization of cost-accounting principles was set forth before the national economy in Decree No 695 of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979 "On Improving Planning and Increasing the Influence of the Economic Mechanism on Raising Production Efficiency and Quality of Work." It was brought up with new acuteness at the 27th CPSU Congress.

Today a whole series of ministries is already working under the conditions of the wide-scale economic experiment, in the course of which new elements of the economic mechanism have been approved and recommended for wide-scale introduction. In the immediate future, experimental verification will be carried out of the acceptability of these elements for employment in trade's economic mechanism.

It is extremely important for all of the sector's executive personnel and specialists to treat the economic experiment creatively inasmuch as the success of its implementation and accuracy of evaluation of the effectiveness of the approved methods will largely depend on their enterprise and activeness. As practice has shown, one of the principal difficulties of conducting a wide-scale experiment lies in overcoming inertia of the economic thinking of many managers and breaking down existing work stereotypes. The experiment is aimed at expanding rights of enterprises. It provides the possibility of manifesting initiative, but at the same time it increases responsibility for work results. Is the sector prepared to operate under such conditions? Is there a desire on the part of heads of trade organizations and enterprises to broadly utilize the rights granted to them? What elements of the economic mechanism specifically need to be tested in the course of the experiment? The results of a survey conducted by us among heads of the country's organizations and enterprises will to a significant degree make it possible to answer these questions.

The survey took in 1,000 wholesale enterprises and organizations of varying specialization located in all of the union republics. Each fifth enterprise answered the survey questions.

In describing the specialization and location of the wholesale enterprises (organizations) which responded to the survey questions, it should be pointed out that a great portion of them are located in the RSFSR and the Ukrainian and Kazakh union republics (respectively 35, 34 and 17 percent of those who replied). In terms of goods specialization, wholesale enterprises are represented for the most part equally (10-11 percent) with the exception of bases for trade in furniture, construction materials and sports goods (altogether 6 percent) and enterprises trading in meat-and-dairy and grocery items (respectively 17 and 16 percent).

Wholesale enterprises that took part in the survey expressed their opinion for practically all the given questions in accordance with the proposed answer variants. Moreover, 36 percent of these enterprises sent their own additional proposals.

As a result of processing the materials we collected, the answers to the survey questions were arranged in the following manner (see next page).

It is necessary to point out the high degree of activity of practical workers who unanimously came out for expansion of the independence of enterprises in all the directions of economic activity enumerated in the questionnaire. Areas of activity were determined in which inadequacy of enterprises' rights are felt particularly acutely. They are: planning of labor and wages, use of above-plan income, planning of wholesale trade, especially according to assortment structure, types and forms of goods movement. It is precisely here that the inadequacy of existing instructions and statutes is observed with respect to considerations of economic feasibility. The causes of such discrepancies are rooted in rigid regulation of all aspects of activity of enterprises by higher organizations, as a result of which individual features of the functioning of each specific enterprise are not considered (and cannot be considered).

| Questions and answer variants | Relative share of answer variants for each question, % |
|-------------------------------|--|
|-------------------------------|--|

At the present time economic experiments are being conducted in a number of sectors of the national economy on expanding rights of enterprises. Preparations are also in progress for carrying out a similar experiment in trade. In what area of activity in your opinion is lack of rights particularly felt and is their expansion required?

Answer variants:

|  |      |
|--|------|
| wholesale trade (volume, assortment structure, kinds and forms of goods movement)                    | 18.4 |
| financial indicators: profit, own working capital, Gosbank credits                                   | 11.2 |
| goods provision  | 11.1 |
| labor and wages  | 23.7 |
| capital investment   | 5.0  |
| conclusion of contracts  | 9.8  |
| use of above-plan income (profit, economic stimulation funds, exceeding of received over paid fines) | 18.9 |
| other answers  | 1.9  |

How frequently in your work practice do existing instructions and regulations come into conflict with ideas of economic advantageousness and one with the other?

Answer variants

|                   |      |
|-------------------|------|
| practically never | 10.8 |
| rarely            | 52.0 |
| often             | 29.4 |
| constantly        | 5.4  |
| other answers     | 2.4  |

The policy of intensification of the national economy, including trade, requires revision of the system of evaluation of economic activity and fund formation. What indicators in your opinion are most suitable for this indicator?



| Question and answer variants | Relative share of answer variants for each question, % |
|------------------------------|--|
|------------------------------|--|

Answer variants:

|   |      |
|---|------|
| degree of plan fulfillment with centrally planned indicators (trade, profit)  | 53.7 |
| profitability of enterprises (computed as ratio of profit to trade, fixed and working capital, distribution costs)                              | 26.6 |
| level of efficiency in use of material, labor and financial resources (computed as ratio of fixed capital, wage fund, working capital to trade) | 15.6 |
| other answers   | 4.1  |

Do you think that planned regulation of profitability of wholesale prices within the framework of specialized wholesale organization can be feasibly achieved by a method?

Answer variants

|   |      |
|---|------|
| differentiation of sizes of wholesale discounts and markups for specialized organizations and enterprises within the republic | 35.5 |
| redistribution of gross income  | 20.7 |
| redistribution of profit  | 24.1 |
| introduction of deductions into special central fund of wholesale organization  | 13.3 |
| introduction of rent payment into budget  | 3.9  |
| other answers   | 2.5  |

Do you think that the introduction of the indicator of contractual delivery fulfillment as an evaluative indicator favorably affects the economic activity of wholesale enterprises?

Answer variants:

|     |      |
|-----|------|
| yes | 46.0 |
| no  | 46.0 |

Reasons:

|  |      |
|--|------|
| insignificant relative share of this indicator included in total volume of trade (indicate how much) | 7.4  |
| accounting difficulties at wholesale enterprise  | 37.9 |
| delays in processing of documents at bank  | 6.4  |
| excessively large product list of goods used in accounting of delivery                               | 16.3 |

| Questions and answer variants | Relative share of answer variants for each question, % |
|-------------------------------|--|
|-------------------------------|--|

|   |      |
|---|------|
| wrong method of calculating indicator of contractual delivery fulfillment | 15.3 |
| other reasons   | 16.7 |

Are you satisfied with the existing system of economic relations with higher organization? How do you see a possible improvement of these relations?

Answer variants:

|                      |      |
|----------------------|------|
| completely satisfied | 24.6 |
| partially satisfied  | 69.2 |
| dissatisfied         | 6.2  |

Ways of improvement:

|  |      |
|--|------|
| introduction of economic and material accountability for consequences of administrative decisions    | 8.6  |
| central reduction of approved, limiting and regulated indicators                                     | 36.4 |
| introduction of comprehensive quality control systems of administrative work of higher organizations | 4.8  |
| ensuring stability and interrelation of current and long-term plans                                  | 28.8 |
| change of system of evaluation and remuneration of administrative work                               | 18.5 |
| other answers  | 2.9  |

Are you satisfied with the system now being used of evaluation of the quality of work of individual personnel and subdivisions of a wholesale enterprise (system of work quality control)?

Answer variants:

|                      |      |
|----------------------|------|
| completely satisfied | 25.1 |
| partially satisfied  | 43.1 |
| dissatisfied         | 27.5 |

Reasons:

|   |      |
|---|------|
| cumbersomeness  | 37.1 |
| subjectivity of information used in assessment  | 36.0 |
| lack of connection to indicators of efficiency of operation of subdivisions and enterprise as a whole | 26.9 |

| Questions and answer variants | Relative share of answer variants for each question, % |
|-------------------------------|--|
|-------------------------------|--|

Are you satisfied with the existing system of economic record-keeping (bookkeeping, statistical, operative)? Does it permit effective control over the economic process and introduction of intrahouse accounting?

Answer variants:

|                      |      |
|----------------------|------|
| completely satisfied | 18.5 |
| partially satisfied  | 60.2 |
| dissatisfied         | 18.4 |

Reasons:

|   |      |
|---|------|
| impossibility of receiving timely information for adoption of timely decisions in course of month | 21.3 |
| inadequacy of accounting and laboriousness of accounting operations                               | 24.8 |
| absence of mechanization  | 29.3 |
| lack of a normative base  | 12.7 |
| noncoordination of accounting and activities among functional departments                         | 11.8 |

Among the additional proposals on expanding rights of enterprises, the opinion is expressed that the existing size of the deductions (5 percent) from received fines exceeding paid fines going into the economic stimulation fund of an enterprise is inadequate. It is proposed to increase the share of deductions going into the economic stimulation fund of an enterprise to 90 percent, reducing at the same time the share of deductions to 10 percent going into the budget. In principle, this question is rightly raised. The share of receipts at the disposal of the enterprise of the portion of received fines exceeding paid fines should be significantly increased. Without an economic incentive, the effectiveness of claim work in wholesale trade will remain at a low level. But the question of the direction of use of these additional funds should not be solved so simply. The economic nature of different groups of fines received and paid by wholesale trade is quite varied and requires a differentiated approach to the question of their use. Thus, exceeding of received over paid fines for violation of conditions of shipment of goods by transport and tardy container return undoubtedly is subject to transfer into the budget. The positive difference in fines for violation of payment and accounting discipline can be used for paying off interest for loan credit received by wholesale enterprises for replacement of own working capital diverted for debts beyond the time of their payment.

The positive difference between fines received and paid by wholesale enterprises for violation of time periods, assortment and quality of goods, designated contractual deliveries, can most advantageously go completely or mostly into the discount fund for goods of obsolete styles and models that are produced above-plan.

The expansion of an enterprise's rights in tactical activity is indissolubly connected to the need of reaching it through plan indicators of strategic arrangements. Success in the use by an enterprise of its rights will largely depend on what indicators (tactical or strategic) are being used by the higher organization for evaluation of its operation. Most participants of the survey stated that the degree of plan fulfillment of the wholesale-trade volume of goods sales to buyers and profit should be used as basic evaluative indicators. Such a decision appears quite valid to us. The fact is that it is the volume of trade and profit which reflects the main objective secured by the wholesale enterprise. Establishment of the assortment structure of turnover and selection of types and forms of goods movement are an internal (tactical) task which the enterprise must solve independently rather than on the instructions of a higher organization.

The degree of fulfillment of centrally planned indicators must undoubtedly be important but by no means the only element in the system of assessment of the operation of a wholesale enterprise. Under conditions of a sector being shifted to the intensive path of development, it is not enough to fulfill the plan of trade and profit. It is necessary to accomplish them with the least cost. Consequently, the system of evaluating the operation of wholesale enterprises must without fail include indicators characterizing the level of effectiveness of use of material, labor and financial resources. A total of 42.2 percent of the participants of the survey came out in favor of the need of introducing these indicators. At the same time, the majority prefers indicators of profitability based on a comparison of the size of obtained profit and utilized resources. A minor portion of the enterprises are in favor of using indicators of resource yield calculated as the ratio of different types of resources to goods turnover. It would appear feasible, however, to employ indicators of resource yield (output yield of fixed capital, turnover rate of working capital, labor productivity of workers). Use of the profitability indicator despite all its advantages is at present undesirable without first putting into good order the system of gross-income formation.

The existing system of gross-income formation in wholesale trade for all practical purposes does not correspond to the requirements made on it as the financial and economic basis of cost accounting. It is distinguished by diversity of sources, their imbalance, instability and weak scientific substantiation, which creates the need of planned regulation of profitability within the framework of the republic's wholesale organization.

Some survey participants correctly indicated the need of revising existing wholesale discounts, having them maximally approach socially required expenditures. It should be pointed out that even with "ideal" wholesale discounts discontinuities in conditions and results of operation of wholesale



enterprises are inevitable but can be overcome with one of the methods proposed in the questionnaire. Most specialists consider the most acceptable method to be differentiation in the sizes of wholesale discounts and markups for wholesale enterprises within the republic. We cannot help but agree. But under existing conditions of accounts with suppliers, additional differentiation of wholesale discounts for wholesale enterprises is impossible, as they are established by instructions of the USSR State Committee for Prices "On the Procedure of Using Trade and Wholesale Discounts for Consumer Goods." Sizes of markups are determined by union-republic trade ministries for wholesale organizations that do not have the right to differentiate them for jurisdictional enterprises. It is namely for this reason that a system has come into being of redistribution of gross income and profit, as a result of which mechanical equalization of profitability levels for wholesale enterprises occurs.

In our view, the most progressive thing would be endowing the republic wholesale organization with the right to form a special central fund for regulation of profitability (13.3 percent of those surveyed were for this). Such a fund could be formed from deductions of those wholesale depots which receive a part of the profit not as a result of the efforts of the collective but rather as the action of more favorable technical and economic, natural and other factors.

The economically substantiated mechanism and sizes of fixed payments for these depots should be worked out at republic wholesale organizations while taking into account the specific character of their activities and be approved for the 5-year period.

In examining questions connected with evaluation of the operation of wholesale enterprises, it would be useful to discuss the use of the indicator of contractual delivery fulfillment. The question put before practical workers--does this indicator exert a positive influence on the results of the operational activity of wholesale enterprises--evoked extremely contradictory statements. With the exception of 8 percent of the survey's participants who refrained from answering, the opinions of the rest were equally divided: 46 percent confirmed the positive influence of the indicator and as many denied it. Elucidation of the reasons for such an assessment are made possible by explanatory notes that were sent together with answers to the questionnaire. Most practical workers expressed basic agreement with the need of exercising strict control over the fulfillment of contractual obligations. But for achieving success of the measures conducted in this direction, in their opinion a whole series of defects in assessment of fulfillment of delivery contracts by wholesale enterprises should be eliminated.

Among the reasons hindering broad and effective use of the indicator of fulfillment of delivery contracts, there were pointed out in the questionnaires: accounting difficulties of the indicator at wholesale enterprises; an excessively enlarged products list on the basis of which delivery records are maintained, which allows for the possibility of intraassortment violations; an incorrect method of computation of the indicator itself; the insignificant relative share of this indicator in the total volume of trade turnover. Other reasons for the inadequate

effectiveness of this indicator are: nonfulfillment by industry of its obligations for uniform shipment of goods; absence of a tie-in between production and delivery plans; refusals by trade organizations to select goods on the basis of concluded contracts; frequent changes in commodity stocks resulting in noncorrespondence of their size to concluded contracts.

As we see, the list of unsolved questions is large, and it is impossible not to take them into consideration. A serious scientific improvement both in the method of computation and of the manner of using the indicator of fulfillment of delivery contracts is necessary.

The system of economic relationships between wholesale enterprises and higher organizations needs to be improved. Such is the opinion of the overwhelming majority of those replying to this question of the survey. Practical workers support the two basic directions of improving vertical economic ties. First, this is an improvement of the planning system providing for reduction of the number of centrally established, limiting and regulating indicators as well as assurance of the stability and close interrelation of current and long-range plans. Second, it involves a rise in the economic and material accountability of higher organizations for the consequences of their administrative decisions and the results of operation of jurisdictional enterprises.

As for the question of improvement of the system of evaluation and remuneration of the work of administrative personnel, it is necessary here to make broader use of the principles of cost accounting. All administrative organs (including union-republic trade ministries) can be advantageously shifted to financing from deductions of jurisdictional enterprises and organizations. Both the wage fund and all economic stimulation funds ought to be formed through the means of these deductions (in accordance with plan norms established for similar funds of jurisdictional enterprises).

The payment of bonuses to personnel of administrative organizations should be done within the limits of the fund credited for these purposes depending on the effectiveness of operation of individual subdivisions and personnel. At the same time, the quality of planning the work of jurisdictional enterprises (breadth of the normative basis of planning; continuity, stability, balance of plans; observance of procedures designated by the methodological instructions for adoption of administrative decisions) should first of all be taken into account.

It is necessary to expand democratic bases in assessing the work of administrative organs. This can be done by granting evaluation rights not only to higher organizations but also to jurisdictional enterprises from among representatives which could be formed into a council of directors--a collegial organ for administration of the trade system. One of the functions of this council could be conclusion of a collective agreement between administrative organizations and enterprises under its jurisdiction designating measures of economic and material accountability for the effectiveness and quality of administrative work.

Among the miscellaneous proposals aimed at improving vertical operational ties, the opinion is expressed in a number of questionnaires of abolishing the

so-called intermediary level (of republic wholesale offices) and creating special cost-accounting commodity administrations under union-republic trade ministries. Such a reorganization was carried out in the Belorussian SSR where republic wholesale offices have been eliminated since 1979.

At the same time, it is hardly necessary at this time to limit oneself solely to repetition of the experience of the Belorussian SSR Ministry of Trade. In order to revamp the organizational structure with any serious hope for success, one must approach this not just exclusively in wholesale trade but in the systems of the union-republic trade ministries as a whole.

The system of labor quality control at wholesale-trade enterprises also needs improvement. As follows from answers to the questions of the inquiry, the majority of the personnel of wholesale enterprises considers it unwieldy and largely subjective.

In our opinion, the system's principal defect lies in its weak connection to the operational efficiency indicators of an enterprise and its subdivisions. Efficiency indicators of use of resources (yield on capital, rate of trade turnover) directly linked to work quality of personnel and collectives have not been included in it. But at the same time among the rising ones, such indicators are to be found which relate to the basic function of a subdivision or worker and whose fulfillment is obligatory without additional incentives.

Proposals were expressed to evaluate the work of collectives primarily according to objective data and on the basis of results of economic analysis of the principal indicators of their work. As for the system of control over quality of labor, it may be used as an additional source of analysis of results attained by the enterprise or its subdivisions. For the most part, it should aim at effective stimulation of boosting raising the labor quality of concrete performers.

The level of economic operation of a wholesale enterprise depends to a significant degree on the completeness, validity and reliability of information, a basic source of which is the system of cost accounting and reporting. It is possible to conclude from answers to the questionnaire that the principal cause of inadequacy of cost accounting, which is responsible for all the others, is weak use of computer hardware and the unsatisfactory state of automation of recordkeeping in wholesale trade.

The organization of an automated system of accounting based on computers in wholesale trade makes it possible, in addition to development of forms and methods of accounting, to effectively control the operational process at a wholesale enterprise, to improve informational cooperation with the higher organization, and to ensure the development of all elements of the economic mechanism of the wholesale branch of trade.

Analysis of the attitude of practical workers with respect to expansion of the rights of wholesale enterprises attests to the necessity of solving many problems. In working out methodological, organizational and normative documents aimed at expansion of the rights of enterprises in planning and economic activity, it is necessary to provide for the solution of these

questions in combination with consideration of the possibilities and interests of related sectors and ensuring the stability of indicators of 5-year and annual plans, norms and limits. The evaluation of economic activity needs to be made according to levels of operation, while payment of bonuses to workers must be done while taking into account effective utilization of material, labor and financial resources.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### BETTER COORDINATION IN TRADE SECTOR NEEDED TO SATISFY DEMAND

Moscow EKONOMICHESKIYE NAUKI in Russian No 5, May 86 pp 53-58

[Article by Ye. Fesenko, candidate of economic sciences: "The Role of Trade in Satisfying the Demand for Consumer Goods More Completely"; passages rendered in all capital letters printed in italics in source]

The substantial improvement of the supply of consumer goods--the significant reduction of the assortment of goods classified as extremely scarce at the end of the 10th Five-Year Plan, expansion of a sufficient assortment in many product groups, etc.--is one of the important characteristics of our country's economic development in the 80s. Demand becomes increasingly selective under these conditions. Consumer behavior is frequently motivated by such factors as the desire to acquire a good as a replacement, not merely to purchase a product in a given commodity group, but a very definite modification of it. Given the existing progressive trends in the development of demand, even a good, standard, flaw-free product that is geared to a certain "average" customer frequently does not find a buyer in the circulation sphere.

The Comprehensive Program for the Development of the Production of Consumer Goods and the Service Sphere in 1986-2000, which was approved by the Politburo of the CPSU Central Committee, is designed to resolve various problems associated with the volume of production, quality, and mix of consumer goods.

The growing scale of consumer goods production, the ever greater saturation of the market with consumer goods, and increasingly complex economic relations require that compilers of production programs pay more attention to the consumer's wishes. In this regard, the Comprehensive Program for the Development of Consumer Goods Production and the Service Sphere in 1986-2000 assigns top-priority to "amplifying the influence of trade on the formation of the product mix and on improving product quality."

In current management practice, the influence of consumer goods commodity circulation on the production sphere is exerted through the system of interrelationships between trade enterprises and organizations and industrial associations (enterprises) and between local, regional and central economic agencies with regard to the volume, structure, mix, and quality of consumer goods and their correspondence to consumer demand. These interrelationships

are concretized in the aggregate of economic, legal, and organizational measures that are aimed at increasing the substantiation of production plans and at making deliveries of consumer goods into the trade network more rational.

The existing system of economic interrelationships gives trade the potential of serving as a conduit of the interests of the actual customers in the production process. However, it would be premature to say that this system is entirely formed and that it does not require further improvement. At the same time, there are a number of bottlenecks that make it possible for manufacturing enterprises to deliver less than the full volume of ordered goods to trade, while at the same time producing products that are not in demand. The December (1983) Plenum of the CPSU Central Committee noted that planning agencies have even legitimized the special term "maximum percent of underfulfillment." This indicator should not exceed 1-2 percent and only in exceptional cases--3 percent.<sup>2</sup> As management practice shows, the maximum percent of underfulfillment is widely used by certain ministries. As a result, in 1984 alone, trade organizations suffered a shortfall of more than 6.5 billion rubles' worth of commodity resources delivered from industrial enterprises and other sources.<sup>3</sup>

The lack of coordination of draft plans with ceilings on raw materials and supplies and planning agencies' practice of repeatedly correcting trade's orders are a substantial shortcoming in the planning of consumer goods production. As a result, production and sales plans are compiled primarily on the basis of the interests of the producer rather than the consumer, who is represented by trade. Thus, in 1985, the RSFSR Ministry of the Textile Industry failed to place orders for the production of individual types of commodities in the amount of 519.8 million rubles; the RSFSR Ministry of Light Industry--430 million rubles.<sup>4</sup> Obviously, such a situation would hardly have arisen if the ceilings on raw materials and supplies had been set by manufacturing enterprises, not prior to the formulation of the production program, but rather on the basis of the results of wholesale trade fairs.

Even if industrial enterprises fulfill orders from trade in value terms, they sometimes deliver a smaller amount of products to trade due to the fact that priority in the planning and sale of most consumer goods is acquired by value (so-called conditional indicators) rather than physical indicators. The degree of satisfaction of demand grows if value indicators are used in an optimal combination with the system of physical indicators that more precisely reflect consumer properties of products and that orient production toward the production of high-quality products.

Trade also shares the blame for miscalculations in the formulation of production programs. This is in particular due to the fact that its requisitions and orders are essentially in the nature of recommendations. Since trade organizations have no guarantee that their requisitions will be fulfilled, they do not make sufficient use of scientifically substantiated calculations of the requirement for one or another type of product and occasionally make their requisitions on the basis "the more you order, the more will be allocated to you." If such an inflated requisition is filled, products that are redundant relative to the population's demand will not find

a buyer in the circulation sphere. One recent example of this is above-normal reserves in the bed linen trade. A requisition can also be unjustifiably cut back thereby resulting in a shortage, etc. This situation can be corrected only if trade's requisitions (orders) become the real basis of production programs and acquire the force of a legal document. This is promoted by the practice of concluding five-year agreements between economic agencies of industry and trade, which essentially entails the conversion of wholesale trade organizations to direct long-term economic relations with manufacturing relations.

The main reason for the insufficient scientific substantiation of trade's requisitions and orders is the imperfect nature of the existing procedure for studying and forecasting demand, which results from the lack of organizational coordination as well as the lack of coordination of incoming information. Thus, the proper, regular exchange of information concerning demand is absent between state trade and consumer cooperatives, within these two relatively independent trade systems, and between trade and industry. There is essentially no coordination of the reciprocal exchange of information on consumer demand. While trade periodically provides industry with certain data on the volume and structure of demand (primarily in the correction or coordination of plans for the production and delivery of consumer goods), there is not actual information in the opposite direction on changes in supply. This makes it difficult to compile the trade turnover plan, to maneuver commodity stocks and makes it impossible to correctly determine the perspective for expanding or curtailing the production of traditional products and for introducing new products.

The correct resolution of questions pertaining to the production of products the population needs, to the formation of the mix, to the compilation of plans for the production and distribution of products is attained only when there is an INTEGRATED APPROACH to the study and forecasting of demand. Research on demand is effective only if it encompasses all enterprises producing identical or interchangeable products, irrespective of their departmental affiliation. Given the unified economic, technical and investment policy under socialism, there is an objective possibility of controlling the market at all levels of the national economy--from the enterprise to the branch as a whole. The study of demand is most effective if it is a real instrument in the compilation of production programs.

The time has come for the establishment of a unified, integrated system for studying and forecasting demand that would ensure the receipt of comprehensive information concerning demand in all stages of a commodity's life cycle--from inception to prototype to actual consumption. The objective of such a system is to coordinate the actions of trade and industry, to unify their efforts to resolve the most important socioeconomic problem of making a scientifically substantiated determination of the needs of society's members for various commodities, to assist industry in market studies, in implementing a long-range policy of expanding and updating the product mix, and to prevent production from being oriented primarily toward short-lived changes in market conditions.



The Comprehensive Program for the Development of Consumer Goods Production and the Service Sphere in 1986-2000 emphasizes the important part played by ENTERPRISE STORES [firmennyye magaziny] of industrial ministries. With their aid, it is possible to determine more precisely and efficiently the demand for products in the current mix, for experimental lots and new products, and to keep track of realized, unsatisfactory and forming demand. Measures (sale-exhibits, consumer polls, questionnaire studies) make it possible to obtain information about demand through two channels: based on the findings of purposeful statistical analysis and information obtained from consumers. Trade structural subdivision that study demand analyze the reasons for refusal to buy, the cause of heightened demand, forecast its demand, and ascertain the influence of psychological factors on changing demand. The goal of all this work is to determine the degree to which various models and types of commodities conform to the demands of consumers and to determine the competitiveness of products.

The existence of a broad product mix in enterprise stores promotes the successful realization of the assigned tasks. Factory outlet stores also have the right to purchase an improved mix of products on a top priority basis directly from associations (enterprises). Products bearing the Quality Emblem comprise a considerable part of commodity deliveries to trade enterprises of this type. And finally, it is a common practice of enterprise stores to render additional services to customers and efficiently introduce progressive forms and methods of trade.

The improvement and expansion of the volume of incoming information about demand unquestionably make it possible to increase the substantiation of trade's requisitions and orders, which in large measure influences the effectiveness of consumer goods production. However, this does not exhaust the impact of trade on the mix and quality of industrial output. Fines, penalties and other sanctions invoked by trade to induce manufacturers to observe contract delivery terms operate in the same direction.

Trade today has at its disposal numerous means for bringing pressure to bear on industrial enterprises producing defective products. For example, if at the time of acceptance it is found that the quality of all (or some) of the products delivered to trade does not conform to contract delivery terms, these products are either transferred to another quality category or are declared to be of inferior quality. If delivered products are rejected, industrial enterprises must pay trade a fine equivalent to 20 percent of the value of the products. In addition, liquidated damages [neustoyki] are recovered for deliveries of goods not specified in the contract, for the delivery of a larger quantity of lower grade products than called for in the contract, etc. The current Statute on Deliveries for the first time includes a rule on the liability of suppliers for rejected products in the highest quality category and also increases the fines that are levied for shortfalls in the delivery of products for children.

Trade is also vested with the right to call upon organizations to which the enterprise is subordinate, on the ministry, on the leadership of the corresponding branch of industry to take administrative measures and invoke



material sanctions against undisciplined suppliers; a special goods acceptance procedure may be instituted in the case of enterprises repeatedly supplying defective products.

Nevertheless the existing rules of material liability do not have a sufficient impact on violators of contract discipline even though the fines are frequently stiff. In particular, industrial enterprises not only pay liquidated damages to trade, but in turn receive compensation for the nonfulfillment of obligations by allied enterprises. Therefore, breaches of delivery discipline are faintly reflected in economic performance. The following procedure has been established in the interest of increasing the liability of production associations (enterprises) for the quality of products delivered to the customer since 1986: if products are returned to manufacturing enterprises due to their low quality, payments to the material incentive fund are reduced to five percent for every percent of inferior products in total output.

The Statute on Deliveries calls for the replacement of faulty products within 10 days of the recognition of the demand of the buyer (receiver) as being well founded. But in actuality, trade does not always receive high quality goods to replace those that are rejected and hence does not have the possibility of eliminating the unsatisfied demand. In this regard, a more effective measure is the abolition of the nonacceptance writeoff of the cost of goods shipped (before their quality has been verified). In the economic literature, it has repeatedly been proposed that personal material liability for the breach of contract discipline be introduced as a measure intensifying property liability for the nonobservance of trade's orders.

At the same time, it is essential to create conditions that would permit trade to make full use of fines against violators of contract discipline. Trade organizations today have both the right and obligation to invoke sanctions for breaches of contractual obligations. However, for a number of reasons, these measures are not always used. In particular, retail trade and public trade enterprises are obligated to pay to the state budget almost the entire difference between the fines collected by trade and the fines paid by trade. Only five percent of this sum is left to the wholesale link. What is more, half of this amount goes to the trade development fund and only one-fourth can be used for the material encouragement of personnel. This makes trade less interested in obtaining compensation for loss since retail trade enterprises bear all the losses associated with the return of inferior or unordered goods to manufacturing enterprises (additional transport costs, additional costs associated with rejection, etc.) and lack the necessary funds of their own to cover these costs. At a cost of almost 30 million rubles, nineteen thousand merchandise inspectors systematically inspect the quality of goods delivered to retail and wholesale trade.<sup>5</sup> In order to increase the interest of retail trade enterprises in bringing about improvement in the quality and mix of their products, they should be allowed to keep some of the funds resulting from the excess of fines collected over fines paid.

"Post-production" measures by trade to influence production are less effective than "pre-production" measures since they do not make it possible to prevent losses. Trade can nevertheless help to reduce the latter by means of

discounts, the economic purpose of which is to sell goods for which there is no demand at the initial price level. If such goods are not sold, all labor expended on their production must be classified under the heading of social losses. Discounts reduce the loss sustained by the national economy from gluts, draw additional commodity masses into circulation, and some of the created value goes to the consumption sphere. Therefore, the sale of products after discounting promotes the normalization of the functioning of trade. However, discounting has a negative impact on the commodity circulation sphere: losses from the underfulfillment of the trade turnover plan and losses from discounting are borne entirely by trade, whereas they are not reflected in any way in the financial and economic performance of manufacturing enterprises. If industry were to share the responsibility for these losses (such a procedure exists in a number of socialist countries), discounting could become an effective means of influencing product quality and mix.

Commission sales of consumer goods taken out of production are intended to play a similar role. Prices on such goods are coordinated with trade (their level must be no lower than 50 percent of the initial retail prices. The difference between established prices and actual sale prices must be charged against the economic performance of production associations (enterprises) without changing the interrelations of trade and production with the budget and plan indicators.

Since 1984, there have been regular, seasonal sales of goods at lower prices in our country twice a year. The initial value of fall-winter nonfood goods presented for sale the first time was over one billion rubles.

The removal of sale items from production and the simultaneously lowering of prices on them are a mandatory condition to seasonal sales. Therefore, seasonal sales not only make it possible to prevent the accumulation of individual types of products in trade and to save the population money, they also motivate manufacturers to update their output more frequently.

The FORMATION OF DEMAND, as also noted in the Comprehensive Program for the Development of Consumer Goods Production and the Service Sphere in 1986-2000, is one more direction of improvement of the production and sale of consumer goods. The formation of demand on a scientific basis promotes change in the character, level and structure of personal consumption in directions corresponding to the interests of society promotes a conscientious attitude toward the social product, and helps to instill in society's members the tasks and habits that correspond to the socialist way of life. Its result that people's everyday life is more rational, housework is easier, and the population's cultural level is higher.

Trade must begin work to form demand before mass production begins. The number of new industrial products with properties unknown to the consumer is rapidly growing under the influence of scientific and technical progress. The production of new (especially, fundamentally new) products for an unknown market, without knowledge of the particulars of their sale and consumption always entails a considerable risk to both industry and trade: it may be that the new product will not gain social acceptance and will become a glut in the

circulation sphere. For example, such progressive products as automatic washing machines, home air conditioners, and microwave ovens are in limited demand because housing is not adapted to them, because there are too few shops specializing in their installation and servicing, because trade personnel, consumer service personnel, and finally, the customers themselves are not prepared for them. Unfortunately, all these circumstances came to light only after capacities for producing products that were in principle necessary had been put into operation. Therefore, the availability of the necessary information on opinions and attitudes of various groups of consumers toward items planned for production, and the assessment of economic, social, and other factors underlying the formation and development of demand are the guarantee of the balance of supply and demand.

When the initial consumer response to series-produced products has been positive, there must be additional effective propaganda on rational ways of using these products. Indeed, new products either have properties that are functionally different from traditional products or that have products that distinguish them favorably from similar types of products. Therefore, they are capable of satisfying new needs or existing needs, but at a higher qualitative level. Trade uses various kinds of advertising in the press, over radio and television, exhibits, and demonstrations (preferably continuous) of sophisticated electrical instruments and electrical equipment to inform the population about the merits of recently developed products and to orient consumers toward modern fashion trends.

Trade increases the effectiveness of the working people's consumption not only as a result of their participation in the formation of demand, but also as a result of the introduction of "progressive, convenient forms of service that help to substantially reduce the amount of time consumers spend shopping."<sup>6</sup> Included among these forms are: self-service, trade based on orders placed in advance, street-vending, and delivery of quite a broad mix of products to the customer's home. Sales based on models [prodazha tovarov po obraztsam] are a promising form of trade in furniture, electrical household machines and appliances, motorcycles, and motor scooters.

Progressive forms and methods of trade must not only reduce the amount of time spent on shopping by the population but must also ensure that this time is put to better use. Studies conducted by the USSR Ministry of Trade show that the time required to obtain the desired products is five times longer and the time spent waiting in line is three times longer in conventional stores than in self-service stores, but that it takes people twice as long to select an item in the latter.

The practice of offering a broader mix of nonfood items in general demand in every store and of providing various types of additional service is another way of saving shoppers' time. The latter, first, make it possible to reduce the amount spent obtaining products (acceptance of orders for holiday gifts, organization of a system of information for shoppers on the location of nearby trade enterprises, etc.), on preparing them for actual use (home delivery of

large, complex products purchased in the store, the assembly of furniture, mounting ski bindings, minor alteration of sewn goods), etc., and, second, enhance the economic effect of the functioning of trade.

In summation, let us emphasize that the commodity circulation sphere can perform its socioeconomic functions only if trade maintains rational interrelations with other links of the national economy (branches of industry, transport, the credit and finance system) and only if the level of development and organization of this sphere itself is also high.

#### FOOTNOTES

1. Comprehensive Program for the Development of Consumer Goods Production and the Service Sphere in 1986-2000, Moscow, 1985, p 18.
2. See: "Materialy Plenuma Tsentralnogo Komiteta KPSS 26-27 dekabrya 1983 goda" [Materials of the 26-27 December 1983 Plenum of the CPSU Central Committee], Moscow, 1983, p 13.
3. See: Yu. Gryzanov, "Trade in 1985," SOVETSKAYA TORGOVLYA, No 4, 1985, p 3.
4. See: KOMMERCHESKIY VESTNIK, No 2, 1985, p 41.
5. For more detail on this point, see: G. Shcherban, "The Economic Efficacy of Fines," SOVETSKAYA TORGOVLYA, 1983, No 7, p 12.
6. Comprehensive....1986-2000, p 18.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### MECHANICS OF PRICE REGULATION IN RETAIL TRADE DISCUSSED

Moscow ARGUMENTY I FAKTY in Russian No 21, 20-26 May 86 pp 1-2

[Interview with Yu. Zhukov, deputy chairman of the State Committee for Prices [Goskomsen] by ARGUMENTY I FAKTY correspondent L. Ilina: "The Mechanism for Establishing Retail Prices"; date and place not specified]

[Excerpts] Many readers of ARGUMENTY I FAKTY would like to learn why from time to time in our stores the supply of inexpensive goods for sale drops and the supply of expensive goods rises. How does the state regulate prices for goods given the fact that our pricing policies fundamentally differ from those in the West?

Our correspondent asked Yu. Zhukov, deputy chairman of the State Committee for Prices to explain the pricing mechanism.

[Question] We all know that our government has a policy of maintaining stable retail prices. However, in recent years goods have appeared for sale at prices which formerly did not exist. These goods include expensive furs, carpets, crystal and even fashionable clothing and footwear.

Isn't there a contradiction between state price stability and these higher prices?

[Answer] First of all, one must take note that the policy of retail price stability relates to basic goods, and therefore the effect of these prices on various product groups varies. For example, in the late 70's and early 80's retail prices of a series of luxury items (jewelry, furs, automobiles, carpets, crystal and several others) rose.

This was not the case with basic food and non-food goods. The state retail price stability of these goods has been maintained, and prices of these goods have remained the same for many years, and in some cases even gone down.

The demand for high quality goods is great. As the production of modern, high quality goods expands, the average price in a product group goes up. This process is justified if the selection of goods and the production structure corresponds to consumer demand.

For example, from 1980 through 1983 the average retail price of color television sets remained essentially the same, while the average price of a black/white set dropped from 250 rubles to 232 rubles. Conversely, the average price of a television set rose from 370 rubles to 420 rubles. What is the explanation for such a rise? It took place because customers more willingly bought color television sets than black/white sets, and color set production grew rapidly.

[Question] Doesn't this mean that consumers will be offered more and more expensive goods for sale?

[Answer] Expanding production of stylish goods should not lead to the unjustified curtailing of the production of inexpensive, quality goods. It is important to produce a selection of goods that vary by quality and price and also satisfy the demands of consumers in all income groups. Naturally, these inexpensive goods must be designed and finished in keeping with contemporary standards and meet the demands of style.

However, in this regard all is not as it should be. Enterprises often cease production of inexpensive goods and artificially raise prices on goods they produce, unnecessarily trying to use more expensive raw materials. The role of prices is very important in the production of goods where a broad selection is offered. These prices must create economic conditions which make it desirable for enterprises to produce goods of various quality at various prices. Work on improving the pricing mechanism is going in this direction.

At the same time, it is undoubtedly impossible to solve this problem by pricing alone without changing production planning. It is necessary to improve the study of consumer demand, to show not just overall demand for a product but differentiated demand based on retail prices, to develop a basic product selection so that stores order a given product variously priced and finally to set up commercial requests and orders for the plan period taking pricing into account.

In the recent decree on light industry the CPSU Central Committee and the USSR Council of Ministers provided that goods production be differentiated by price groups, i.e., various groups at various prices, and be thus expressed in production planning.

[Question] Bourgeois economists consider that in our system of price formation the law of cost plays no role, and hence a "discrepancy" develops with prices. How can you respond to this?

[Answer] In our country prices are based on socially necessary expenditures and on the whole correspond to these expenditures. Such a system makes it possible for enterprises to operate under conditions where the active economic mechanism ensures every normally operating enterprise the opportunity to recoup production costs and to achieve a profit.

Prices which are based on socially necessary expenditures ensure the subordination of the enterprise's economic interests to the economic interests of the

country. However, prices on some types of goods are allowed on purpose to deviate from cost. This deviation, or more precisely, planned price regulation, is produced in the interests of raising the workers' standard of living within the context of a single state policy on establishing prices.

Retail price policy for consumer goods has a clearly expressed social character that finds its expression in low, stable prices for food products, products for sanitation and hygiene, and affordable prices for children's goods.

The state yearly allots substantial funds to the cause of maintaining over a long period of time stable prices on basic consumer goods and services. For example, in 1986 the state has allotted about 50 billion rubles from the state budget to make up the difference between state expenditures on the purchase, processing and marketing of meat and dairy products and actual retail prices. Subsidies on material and fur used in children's clothing will top 1 billion rubles per year.

At the same time the state maintains a relatively high level of retail prices on other than basic goods, including jewelry made from precious metals, passenger cars, gasoline, crystal, technical innovations for everyday use, especially stylish goods and also goods which are socially harmful like wine, vodka, and tobacco.

[Question] There was talk at the 27th CPSU Party Congress that pricing should be more flexible, that prices should be tied not only to expenditures but also to consumer characteristics of the product, efficiency of manufacture, and its relationship to public need and consumer demand. What has been accomplished in this area?

[Answer] Improving pricing has as its goal the creation of economic operating conditions for enterprises in which they would have an interest in producing a broad selection of goods, increasing promptly the production of goods with no consumer demand, and in replacing them with new high quality products. Production of new products which satisfy consumer needs and enjoy rising demand must be more profitable to enterprises than production of outdated models.

Expenditures on setting up production of a new product and on raw materials do not serve as the basis for temporarily raising prices, if these expenditures do not provide corresponding product quality. On the other hand, a substantial temporary price rise is possible with relatively modest expenditures provided product quality is high. This encourages the enterprise to achieve production of new products of high quality with the lowest expenditures possible.

Still, the fact that some enterprises produce goods that deviate from model standards or produce goods poorly seriously undermines the practice of using temporary prices. Many instances of such violations became apparent through inspections. Our committee alone cancelled more than 800 prices. In these cases enterprises forfeit all additional funds received from the production of these goods since the first of the year.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### DECREE CALLS FOR GREATER DEVELOPMENT OF ENTERPRISE STORES

Moscow IZVESTIYA in Russian 7 Jun 86 p 2

[Article: "Important Tasks of Enterprise Trade"]

[Text] The USSR Council of Ministers adopted a decree "On the Further Development of Enterprise Trade in the System of Industrial Ministries."

The decree notes that the implementation of the decisions of the 27th CPSU Congress on the development of the social sphere requires raising the level of trade services to the population substantially. An important role in realizing this objective is assigned to the expansion of enterprise trade, the experience of which attests to its great potential for satisfying the population's demand for many consumer goods.

The USSR government has ordered USSR industrial ministry, the USSR ministry of trade, and councils of ministers of union republics to secure the broad development of a network of enterprise stores for the sale of passenger cars, television sets, home radioelectronic equipment, refrigerators and other technically complex household appliances, sanitary engineering equipment, construction and finishing materials, furniture, and high-fashion products of light industry, and other wares in Moscow, Leningrad, capitals of union and autonomous republics, kray and oblast centers, and large industrial cities during the 12th Five-Year Plan.

The principal objectives of enterprise stores are: to study and shape the population's demand; to actively influence the effort of industrial enterprises to update and improve their product mix, to improve product quality; to ensure high quality service; to prepare merchandise for sales; to deliver goods to customers; to assemble and install products; to conduct consultations; and to render various kinds of services.

USSR industrial ministries must prepare and confirm plans for the development and location of a network of enterprise stores prior to 1 October 1986 in agreement with councils of ministers of union republics with the aim of increasing their number 2-2.5-fold during the 12th Five-Year Plan.



USSR Gosplan is ordered to assign retail trade quotas to USSR industrial ministries with enterprise stores and to allot market allocations to them.

USSR industrial ministries are empowered assign retail trade quotas and market allocations in a detailed mix to enterprise stores and to designate suppliers of goods. Goods are purchased on the basis of direct contracts between enterprise stores and industrial enterprises.

It is deemed advisable to concentrate trade in passenger cars, spare parts, tires, and accessories in specialized enterprise stores belonging to the Ministry of the Automotive Industry.

USSR Gosplan, the USSR Ministry of Finance, the USSR State Committee for Labor and Social Problems, and the USSR Ministry of Trade have been instructed to draft proposals on the further improvement of the economic mechanism of enterprise trade, on increasing the motivation of USSR industrial ministries, on raising their responsibility for its development in the branch and for its performance.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### WAYS TO EFFECTIVELY IMPLEMENT CONSUMER GOODS PROGRAM VIEWED

Moscow IZVESTIYA AKADEMII NAUK SSSR: SERIYA EKONOMICHESKAYA in Russian No 3, May-Jun 86 pp 71-76

[Article by A. G. Pevzner: "On Managing Implementation of the Comprehensive Program for the Development of Commodity Production and the Services Sphere for 1986-2000"]

[Text] Successful accomplishment of the targets of the Comprehensive Program for the Development of Commodity Production and the Services Sphere for 1986-2000 depends largely on the effective functioning of the system for managing its implementation, including planning, economic incentives and organizational structuring of the system of branches producing and selling non-food consumer goods (Footnote 1) (Questions associated with the production and sale of food products are solved within the framework of the Food Program.) and providing services to the population.

Our economic construction practice has proven convincingly that to achieve the objectives of large economic programs it is necessary to create an adequate mechanism for implementation. Otherwise, major losses and lags in completion, etc., are unavoidable.

By its very nature any economic program is a unique system of measures. Therefore, managing its implementation must not be put in the "Procrustean bed" of typified diagrams and structures. Its implementation, as a rule, is calculated for 10-15 years, and it encompasses a group of economic branches on the territory of all or some of the union republics and economic areas. Therefore, program implementation is always aimed at creating and strengthening the production and socio-economic complex in the economy which is formed on this basis. This requires certain changes in the system of planning and administration, to ensure a solution to that problem which was not solved within the framework of the existing structure.

The system for managing the program has been created for a lengthy period; it is turning into an inalienable element and component of the overall apparatus for state administration of the economy. It cannot simply "coexist" in parallel with existing systems of branch administration, but must absorb some of their functions, rights and responsibilities, as well as some of the functions, rights and responsibilities of higher organs.

Since goods and paid services are the object of the program, their production can be developed only in close association with increasing the monetary income of the population and ensuring the necessary balance between its monetary income and current expenditures and savings. Therefore, determining future needs for goods and services must take into account effective consumption norms as guides.

More specific and closer links and dependencies also exist between individual types of goods and services. Most of all, certain demands can be satisfied only by the acquisition of goods or by payment for services. Development of certain types of services depends on supporting them with the necessary goods. For example, expanding the services of a dressmaking and tailoring establishment in sewing clothing is associated with the existence of a wide selection of fabrics, accessories; etc. Increasing the amount of apartment repair work requires the development of output of high quality construction materials. Development of automobile services is confronted with a shortage of spare parts. Increasing the quality and reliability of goods, especially of complex domestic equipment, leads to a reduction in the requirement for services of a repair and restorative nature. On the other hand, the sale of complex domestic equipment and radio apparatuses is held back because high quality maintenance is not everywhere provided.

All the branches which produce and sell consumer goods and render services to the population comprise a single economic complex, which (along with the agro-industrial complex) is called upon to ensure satisfaction of all reasonable requirements of a citizen of a socialist society. This presumes the establishment of organs for managing this complex, bearing responsibility for its development as a whole, and determining the development of its individual branches.

If the existing system of branch management alone is relied upon in the implementation of the program for goods and services, this inevitably will lead to uncomprehensive structures of regional systems, lack of proportion in development of individual branches, and in a number of cases the predominance of departmental interests over the overall interest of the system.

The unified system for the production and sale of goods and services has a complex regional structure, which encompasses republic, oblast and rayon (city) complexes. Not all have an identical composition, and some branches or spheres (and at the lowest levels, many) may not be represented in each complex, since specialization and cooperation are necessary, but they should have a certain minimum collection of branches under all conditions.

Therefore, the program for goods and services itself also has a complex, hierarchical structure, which includes:

-- an all-union program, which determines the rates and proportions of development of the production of the main groups and types of goods and paid services, the main tasks of the union republics in this field, the direction of development of the material-technical base of the complex of goods and services and the main directions for improving the management of the

development of the production and sale of goods and services; i.e., questions which should be resolved at the all-union level; and,

-- programs for goods and services of the union and autonomous republics, krais, oblasts and rayons, which determine specific measures for providing the population of the republic with all types of goods and services, taking into account the special features of the consumption structure on its territories.

Obviously, the completeness in which special features of consumption in republic programs are calculated is very relative, especially in republics which are divided into oblasts. Therefore, it is necessary to organize the development of comprehensive programs for goods and services in each oblast and in every administrative area. It is the task of such programs not only to calculate most fully supply and demand in the corresponding territory, but also to mobilize local resources to the maximum extent for their satisfaction, and to use all capacities for the production of needed goods and rendering of services. It is namely the local soviets which should become the organs bearing the greatest responsibility for achieving the objectives of the program for goods and services.

For a number of items in the assortment it is sufficient to have major nationwide producers (means of individual transport, radio and television apparatuses, complex household equipment and tools, etc.). For others it is necessary to organize production in each union republic or major economic area, and some goods must be manufactured in each oblast and even administrative area (especially simple, everyday domestic articles, garden implements, construction materials from local raw materials, etc.).

Consequently, for each level of the territorial complex, targets should be established in the corresponding program for goods and services for manufacture of a definite group of products (naturally, taking into account ensuring the economic effectiveness of their production). This is necessary to increase the responsibility of territorial organs for the maximal use of local capacities and resources to satisfy the needs of the population for goods. The need for goods can be satisfied both by producing them locally, and by delivering them from other areas. Correspondingly, they are included in complexes at different levels. Therefore, administering the production of goods is also differentiated. Some branches are all-union subordinated, some are republic subordinated and some are under the jurisdiction of local soviets.

The situation is different with services. The overwhelming majority of these are provided at the place of implementation (intercity transport, communications and tourism are exceptions). This special feature of services makes it more necessary to determine precisely the need for them (both current and future) and the forms in which they will be provided to the population living within a given territory. The inability to transport services makes it necessary to develop capacities for rendering them directly at the location of possible consumption.

This special feature of services leads to a situation in which it is necessary on the territory of each rayon and major populated area to develop almost all



types of services, and to ensure that the population is able to obtain them at their place of residence or work. It is known what tremendous social and economic importance solving this task has, especially for rural areas, remote areas and small settlements.

It follows from this that responsibility for the development of the services sphere on a territory and for administration of this process should be levied on local (first of all rayon, city) soviets. They should determine what branches in the services sphere require priority development, what enterprises should be redesigned, expanded or built anew, and what material, labor and financial resources are required for this. Whereas, with respect to the production of goods, the functions of local soviets may be limited to individual types (included in the local system of goods and services), with respect to services the principle of maximum possible self-support is appropriate. This means that the entire collection (assortment) of services necessary to satisfy the basic needs of the people living there should be provided on the territory of a rayon (city).

It has become urgently necessary to form summary territorial comprehensive plans for the production and sale of goods and the development of the services sphere. Such a plan would make it possible to link in a single whole, on the one hand, the branches which produce and sell goods, and on the other hand, the branches of the services sphere, to ensure their mutual coordination, and to establish the most efficient rates and proportions of their development and the development of the branches included within them, and taking this into account, to distribute all types of resources among them.

The first step in this direction has already been taken. In accordance with the program for goods and services it is planned to include summary sections on goods and services in the plan for economic and social development of the USSR, beginning in 1986. These sections will stipulate the amounts of production and sale of goods and services respectively, as well as the amounts and structure of the main types of resources allocated for their development. But the development of such plan sections only on the all-union level seems insufficient. It would be advisable to include summary sections on goods and services in all five-year and annual plans for the development of territories, from the union republic to the rayon (city).

Including in the plan summary indices of the volume of production and sale of goods and services would expand the independence and increase the responsibility of republics, oblasts and rayons for satisfying the needs of the population. Today, as is known, targets for goods and services go down to the territory (in terms of value and types) for individual groups of goods and services in the territorial plan of the ministries (departments) which produce them. This, on the one hand, does not enable regional administrative organs to determine the structure of production or assortment of goods and services, taking into account existing and anticipated need for them; and on the other hand, this system engenders in these organs dependent frames of mind and does not stimulate them to seek optimal decisions or search for internal reserves.

When compiling territorial comprehensive plans in volumetric indices it is important to consider all possible sources for satisfying the needs of the

population for goods and services. Therefore, included in them should be not only the production volumes of goods (services), for which targets are established, for both specialized and non-specialized enterprises and organizations, but also the value of goods (services) the production of which is not planned on the basis of mandatory targets: goods (services) prepared (rendered) by kolkhozes and public organizations, as well as by citizens as individual labor activity. As a result, plan targets for volume of production and sale of goods and services which are sent down to a territory should be greater than the sum of plan targets approved by the administrative organs of this territory. This will force the active disclosure of opportunities for the use of local sources.

In connection with this, the matter of involving in the production of goods and rendering of services non-specialized ["neprofilnyy"] enterprises and organizations, for which production of goods and rendering of services is not the main activity, warrants attention. A corresponding decision of the government with respect to goods was made previously, and beginning in 1986 targets for the rendering of paid services to the population will also be established for all enterprises and organizations.

Since the existing capacity of specialized enterprises and organizations which produce goods and render services is clearly inadequate to satisfy the needs of the population, it is necessary to use every opportunity to increase the volume of goods and services. As this applies to services, it concerns the use, for example, of departmental buses to transport not only the workers of a given enterprise, but also other passengers; assigning trucks to haul goods which belong to citizens; carrying out apartment repairs by enterprise repair and construction elements; better use of departmental hospitals, holiday hotels, rest bases and other services which the enterprises may render both to their own workers and to other citizens.

At the same time, these measures must not be seen as a panacea for eliminating the existing shortage. The production of goods for the population and rendering of services to it is a specific activity which requires special skills and a high degree of professionalism. Therefore, of course, specialized enterprises and organizations must be the first and main organizations so engaged. It is necessary to develop a powerful modern industry for goods and services (which in no way means creating large enterprises in this field). Involving non-specialized enterprises is a supplemental and relatively temporary source of development of the goods and services system (this relates especially to sphere of services).

At the same time, it would be advisable, according to the example of several socialist countries, to include in the fulfillment of the plan for goods and services for such enterprises work which they accomplish in rendering assistance to specialized enterprises, such as, for example, repair of machinery and equipment, manufacture of spare parts, tools, supplies, non-standard equipment, etc., if such work leads to increasing the output of goods or rendering of services.

Establishing territorial targets for the development of the goods and services complex, in the form of the overall volume of sale of each, must be

accompanied by placing at the disposal of regional administrative organs centrally distributed resources designated for the development of the complex. The present practice of allocating such resources through the departmental systems deprives the territorial organs of the opportunity to maneuver resources and effectively redistribute them among enterprises and organizations. Here it is necessary to consider that, as a rule, several enterprises, often subordinated to different departments, are engaged in producing the same product or rendering one type of service in the territory. Therefore, it is advisable to allocate resources in the first place to those which provide for their most effective use, regardless of their departmental affiliation. In doing this the purpose of centrally allocated material resources does not change. They will be used for the development of the corresponding branch, production of a particular product and rendering of services. When resources are allocated based on orders from territorial organs the advisability of developing the particular branches of the territorial complex by which resources are requested will be examined.

The amount of resources allocated for a territory must be less than the overall requirement for them to fulfill the plan volume target for sale of goods and services. This is necessary in order to seek out and use local resources, secondary raw materials and materials and other local sources more actively.

The question of the sources for establishing the resources of local soviets for development of the services system (paid and free) warrants special examination. Some types of services are financed through resources allocated by the higher departmental systems, and some from resources of the local budget, established both from allocations from the higher level budget, and from direct receipts from profits of enterprises, organizations and certain other sources located on the territory. Although the rights of local soviets in the field of establishing resources for the development of the social infrastructure have been substantially expanded, it seems advisable to improve the reliability and stability of the sources of these resources, and make them directly dependent on the amount of demand for the services.

The dependence of the local budget on the level of profitability of enterprises located on its territory is inadequately grounded, since local organs cannot always influence this level (all the more so in that subsidized enterprises may be included among the enterprises). After all, the need for services is related not to the volume of production and its production costs and value, but to the number of residents, including those working in the enterprises and organizations.

Today, soviets everywhere systematically draw on the monetary resources of enterprises and their machinery, equipment, materials and power sources, and use their workers to build domestic services and cultural enterprises, schools, hospitals and other facilities in the services sphere. The reasons for this are clear. All of these facilities are used both by enterprise workers and members of their families. It is precisely they who are most of all interested in the development of a system of services, and the resources of local budgets, as a rule, are inadequate to carry out appropriate measures.



Therefore, this practice is understood and supported by the leaders of enterprises and organizations.

Meanwhile, the legality of such resource use is often very dubious. This use leads to diverting resources to objectives not foreseen by the plan, instigates distortions in bookkeeping, etc. Since the advisability of the above-mentioned measures is clear enough, it would be appropriate to give them legal sanction.

It seems that resources should be established for financing the development of the services sphere through payments made by all enterprises and economic organizations in a definite amount for each worker. The amount of the sum should be differentiated for different territories and should depend most of all on the level and developmental prospects of the social infrastructure. For newly developed territories and certain rural areas it will be higher, and for well-built, modern cities it will be lower. As the level of services provided approaches the norms for optimal consumption the size of payments should decline, increasing the share of allocations into budget incomes obtained from the profits of enterprises which render paid services. It is appropriate to establish a procedure, so that by agreement with the local soviets an enterprise as payment can accomplish construction and repair of facilities in the services sphere and other work to develop the services system.

The development of territorial comprehensive programs and comprehensive plans for developing the production of goods and the services sphere is leading to the necessity for consistent decentralization of administration, and to gradual shifting of the main authority for controlling the production and sale of goods to the union republics and of services to the local soviets of peoples deputies.

Expanding the rights of territorial administrative organs in no way signifies eliminating branch management. Under these conditions the main task of the branch system will become ensuring a unified technical and economic policy in the branches: developing and introducing new progressive equipment, advanced technological processes and advanced forms of labor organization; working out and introducing systems of technical and economic norms and standards; improving the forms and methods of planning, administration and economic stimulation; conducting analysis of work; studying and generalizing advanced experience; material and technical supply; repair of complex specialized equipment; cadre training, etc. These functions could be realized by creating specialized cost accounting organizations which serve the enterprises of a branch within a definite territory.

Reducing the amount of work accomplished by territorial administrative organs would make it possible to curtail sharply the number of organs and institutions which carry out purely administrative functions and are not engaged directly in economic activity. This would free a large number of field specialists to strengthen cadres in the main element of the services sphere. It would become possible to organize the administration of groups of interrelated and similar branches of this sphere in a particular territory.



One of the most complex problems of administration is establishing an efficient structure of enterprises and organizations which render services. Here the main task is to make it possible for each individual to obtain the greatest number of services right at his place of residence or work, with the least expenditure of time. Therefore, specialization and concentration, which form the basis for the organization of industrial production, are in no way mandatory in organizing the services sphere. To the contrary, it is precisely small, multi-profile enterprises, which render different services to the population, either through their own work force, or through drawing in specialized organizations or individual specialists, which are most efficient in rural areas and small settlements. Practice has shown that the creation of large, specialized enterprises operating on a large territory, for example, in the manufacture of clothing, lowers the quality of service, reduces the number of orders and increases the time required to fulfill them. Needless to say, it is difficult to avoid such enterprises in major cities in the repair of complex domestic equipment (but even in this case, given well organized material and technical supply, such work could be accomplished by specialists on a contractual basis, or in the form of individual labor activity).

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## GENERAL

### METHODS TO COMBAT WESTERN CONSUMER PSYCHOLOGY VIEWED

Moscow ARGUMENTY I FAKTY in Russian No 13, 25 Mar 86 p 5

[Article by T. Dzhat'sariya, candidate of philosophical sciences: "Consumer Psychology: How to Combat It"]

[Text] One of its causes, no matter how paradoxical it may be, is connected with the growth of our material welfare. As is well known, the welfare of the Soviet people grows every year, and, accordingly, the possibility to consume grows: in 1970, for example, whereas only 18 percent of the population had an income higher than 100 rubles a month per family member, 1984 it was more than 60 percent.

#### Learning to Relate to Things Reasonably

But this unquestionable achievement, as it turns out, has its own costs. In that case, if the growth of the material level of our citizens, and that includes young people, is not reinforced with the growth of their awareness and culture, including the culture of every-day life and behavior, then this can lead to the formation of a consumer psychology in them. It turns out that the main danger lies not in the items themselves, but rather in the person's inability to relate to them rationally, reasonably, in the way he should.

And there is still another important complication of this problem. As is well known, a man's moral world is founded on his family. Meanwhile, a few parents, grandmothers and grandfathers, especially those who lived through difficult experiences, such as war, ruin, and hunger, and for whom a definite asceticism was the norm, are trying to "soften life" for their children, as if trying to avenge their own difficulties and deprivations. They literally knock themselves from their feet to get them the things they need--they say, we didn't have them, so let our children have all the things they need. Meanwhile, the children who have received such an upbringing more often than not grow up to be dependants, with excessive, morbid claims to their own "exceptionalness," with an orientation towards the "beautiful life."

Let us also mention how consumer psychology sometimes comes about because of the influence of bourgeois propaganda. Some of our citizens (and this concerns young people in particular) at times perceive uncritically Western movies and broadcasts of bourgeois radio stations, advertising the "beautiful life" in terms of wealth and luxury. Meanwhile, these films and broadcasts are aimed above all at instilling into the viewers or listeners the idea that material good is the only thing worth living for, the main value of life. But if consumer values and standards make up an integral part of the bourgeois way of life, then they are alien to us, to our understanding of the world.

The struggle with consumerism is conducted in two basic ways. The first consists of measures launched with the goal of significantly speeding up the rate of the country's economic growth.

In that case, if fine, high-quality goods are produced in abundance, society will be able to satisfy the needs of each of its members, which is a necessary condition for successfully resolving the problem of consumerism.

This is, so to speak, the global trend in the struggle with consumerism. And now let us talk more concretely.

As is well known, one of our most serious problems is that some young people consider imported, "brand name" things practically their main life values; that they don't consider it shameful to wear jeans or tee-shirts with Western symbols whose meanings they don't understand; that some of them "hunt" for recordings of prestigious Western groups, although these groups are in no way distinguished by high quality; and that many of them carry on anti-Soviet propaganda.

There is one way out of the situation: to oppose the Western "brand name" with our domestic light industry, Western symbolism with our own Soviet symbolism, Western contemporary music with national entertainment.

Much of this plan has already been carried out. Thus, with each year more and more fashionable models for the young appear; specialized magazines of "Young Fashion" are coming out (for more about this see A i E, 1985, No 7); the firm "Melodiya" is also gradually arranging for the release of albums with recordings by our best groups and rock bands. But, of course, there is still a lot to be done to deal with these causes of consumerism once and for all.

#### Raising Spiritual Culture

The other basic way to combat consumerism is a policy aimed at the formation and development of reasonable needs and the spiritual culture of each person.

An understanding of spirituality, as of all moral categories, lends itself to definition with difficulty. It appears that spirituality is everything connected with the inner world of a person and his development, everything that makes up his personality (to the petty bourgeois consumers are without personality).

Spiritual culture is not given at birth; it is nurtured, first in the family and in school. An enormous significance has been attached to this process recently. The new edition of the CPSU Program discussed raising the responsibility of parents for the upbringing of children.

The course on "Ethics and Psychology of Family Life," which, in accordance with the school reform, is included in the study program of all general education schools, should help.

From this point of view, the orientation of the school toward strengthening the labor education of its students is also regarded as very important. It is precisely creative labor which should become the main value of life for every young person. Special sociological research and even simple every-day observations say that in the schools where labor education is regulated and different sections operate--musical, choreography, sport--there is much less of a hullabaloo about Western records or jeans.

The process of acquiring spirituality--"spiritual intensification," according to the expression of the famous Soviet movie director S.A. Gerasimov--is helped by all types of art, including literature, painting, theater, and movies.

Let us recall, for example, the plays "The Grown-up Daughter of a Young Man" by V. Slavkin, "The Nest of the Wood Grouse" by V. Rozov, and, finally, R. Bykov's film "The Scarecrow"; in one way or another each of them speaks about spirituality or the lack of spirituality, philistinism. The extent to which they are effective is illustrated by the fact that after the opening of his film "The Scarecrow," R. Bykov received about a thousand letters and responses, some of them from people who recognized themselves among the negative heroes.

This, of course, should not be understood too simply--one film can hardly change a person at the core, but it can nudge him and force him to start thinking.

In our society, the spirit of consumerism is essentially alien; our entire understanding of the world, our life and spiritual orientation oppose it. The whole atmosphere of Soviet society opposes consumerism, and in this we see the pledge of a successful resolution of this problem.

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